



**SERC Sdn Bhd**  
Socio-Economic Research Centre

# Regional Comprehensive Economic Partnership (RCEP):

## **E-commerce & SMEs**

*27 August 2021*



# Summary of RCEP Chapter 12 and Chapter 14

## Chapter 12: Electronic Commerce (e-commerce)

RCEP parties recognise **electronic commerce (e-commerce) as an engine of economic growth and creating business opportunities for small-and medium-sized enterprises** (SMEs). It acknowledges the importance of setting out a framework that promotes consumer confidence in the adoption of e-commerce.

### Key salient points

- Forge cooperation between each parties to assist SMEs to overcome obstacles in the use of e-commerce.
- Assist each others to implement/enhance their electronic commerce legal framework (e.g. capacity building or the provision of technical assistance) as well as to disclose information, share experiences and adopt best practices in addressing challenges related to the development and use of e-commerce.
- Enhance trade facilitation in terms of (a) Practices of paper trading refer to accept trade administration documents submitted electronically and to provide trade administration documents in electronic form that public are able to access or download; and (b) Legal validity of an electronic signature.
- Adopt or maintain a legal framework of online consumer protection and online personal information protection.
- Each party shall maintain its current practice of not imposing customs duties on electronic transmissions between the parties, *in accordance with WTO Ministerial Decision*. However, the agreement allow any parties to impose taxes, fees, or other charges on electronic transmissions, which are in a manner consistent with this Agreement.

**This Chapter is currently not subjecting to Dispute Settlement.** The general review of the RCEP Agreement will review the application of Dispute Settlement to this Chapter.

### **Special arrangement for selected parties to apply selected subparagraphs in this chapter 12**

#### Code

- A = **Cambodia, Lao PDR, and Myanmar** shall not be obliged to apply this subparagraph for a period of **five years** after the date of entry into force of this Agreement.
- B = **Brunei Darussalam** shall not be obliged to apply this paragraph for a period of **three years** after the date of entry into force of this Agreement
- C = **Cambodia** shall not be obliged to apply this paragraph for a period of **five years** after the date of entry into force of this Agreement
- D = **Vietnam** shall not be obliged to apply this paragraph for a period of **five years** after the date of entry into force of this Agreement

# Summary of RCEP Chapter 12 and Chapter 14 (cont.)

## Chapter 12: Electronic Commerce (e-commerce) (cont.)

### Special arrangement for selected parties to apply selected subparagraphs in this chapter 12 (cont.)

No		A	B	C	D
1	<b>Paperless Trading:</b> Article 12.5 – Paragraph 1 (a)	✓	-	-	-
2	<b>Electronic Authentication and Electronic Signature:</b> Article 12.6 – Paragraph 1 (a)	✓	-	-	-
3	<b>Online Consumer Protection:</b> Article 12.7 – Paragraph 2	✓	-	-	-
4	<b>Online Personal Information Protection:</b> Article 12.8 – Paragraph 1	✓	-	-	-
5	<b>Unsolicited Commercial Electronic Messages:</b> Article 12.9 – Paragraph 2	✓	✓	-	-
6	<b>Domestic Regulatory Framework:</b> Article 12.10 – Paragraph 1	-	-	✓	-
7	<b>Location of Computing Facilities:</b> Article 12.14 – Paragraph 1	✓ *	-	-	✓
8	<b>Cross-border transfer of Information by Electronic Means:</b> Article 12.15 – Paragraph 2	✓ *	-	-	✓

Note: \*with an additional three years if necessary

## Chapter 14: Small and Medium-Sized Enterprises (SMEs)

SMEs are **defined as micro enterprises, small enterprises and medium enterprises in chapter 14**. In recognising the contribution of SMEs in terms of economic growth, employment and innovation, the parties have stated the followings:

- a) Promote information sharing and cooperation in enhancing SMEs' ability to utilise and reap from the opportunities of RCEP agreement. Information must be made widely accessible to public.
- a) Ensure accurate and up-to-date information on trade and investment-related laws and regulations that considered relevant to SMEs.
- a) Encourage the parties to disclose additional business-related information that are useful to SMEs.
- a) Enhance cooperation between the RCEP countries in areas of e-commerce, intellectual property rights, market access, global value chains, technology and innovations.

# RCEP E-commerce Outlook

Yr = Year



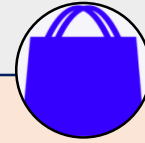
Yr 2019

**GDP value:**  
**US\$24.0 trillion**  
(28.2% of  
global GDP)



Yr 2019

**Total trade:**  
**US\$10.4 trillion**  
(%15.1% of  
global trade)



Yr 2020

**Consumer  
e-commerce:**  
**US\$1.6 trillion\***  
(51.7% of  
global consumer  
e-commerce)



Yr 2019

**Population:**  
**2.3 billion**  
(29.5% of  
world population)



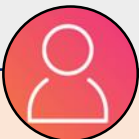
Yr 2020

**Internet users**  
**1.6 billion**  
(34.3% of  
world internet users)



Yr 2020

**Time spent using  
the internet^**  
**7 Hours**  
**22 Minutes\***



Yr 2020

**Active social  
media users**  
**1.6 billion**  
(37.1% of world active  
social media users)



Yr 2020

**79.0%\* of  
internet users\*\*  
purchased a  
product online**  
(any devices)



Yr 2020

**Digital advertising  
spending**  
**US\$114.3 billion\***  
(32.1% of world digital  
advertising spending)

Note: \*Data add up based on 11 RCEP countries, no data available for Brunei, Cambodia, Laos and Myanmar.  
\*\*aged 16 to 64 year old; ^Average the time spent using the internet (All devices) in 11 RCEP countries.  
Source: World Bank; Data Reportal

# RCEP's E-commerce At A Glance

**RCEP**

Total amount spent in consumer e-commerce\*

**US\$1.6 trillion**

(51.7% share of the world)

Data = Year 2020

**Consumer goods market**

**US\$1.4 trillion**

(56.7% share of the world)

By category	US\$ billion
Fashion & Beauty	352.3
Toys, DIY & Hobbies	324.8
Food & Personal Care	275.3
Electronics & Physical Media	256.7
Furniture & Appliances	171.7

**Services goods market**

**US\$269.1 billion**

(35.8% share of the world)

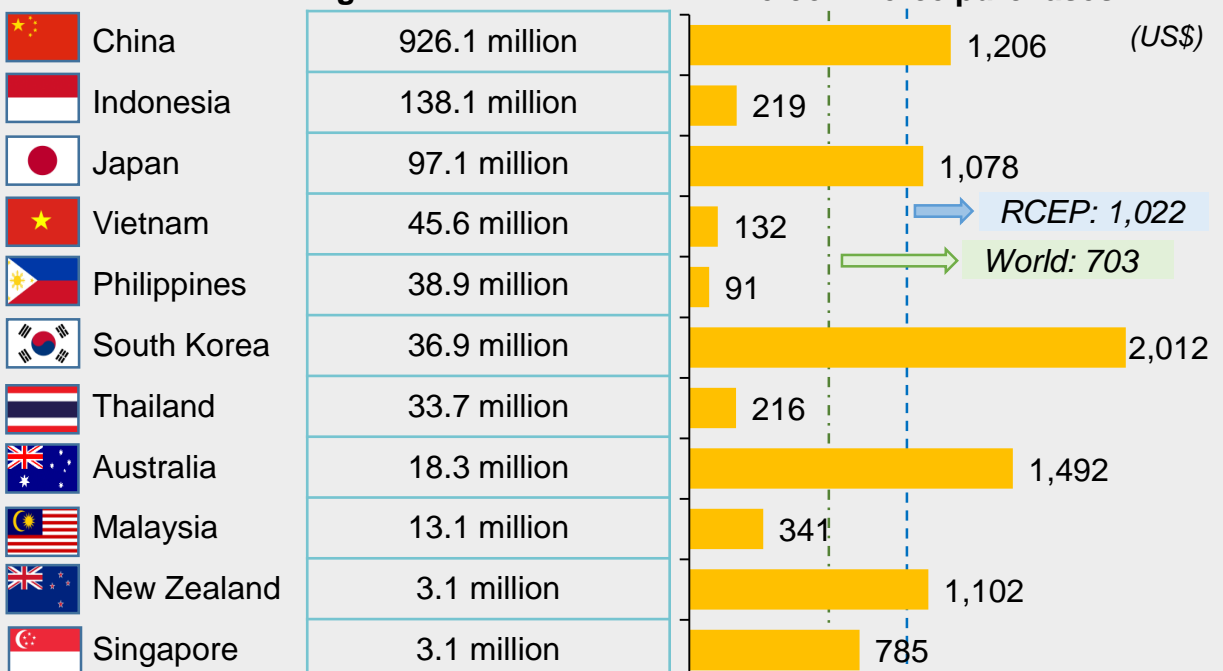
By category	US\$ billion
Travel, Mobility & Accommodation	194.7
Video Games	69.6
Digital Music	4.8

- RCEP has **1.4 billion people (39% share of the world)** purchasing consumer goods via the internet in 2020.
- **Average annual consumer spending** on consumer goods amounted to **US\$1,022 in 2020**, significantly higher than the world's average of US\$703.
- **E-commerce's consumer goods market** in RCEP **grew by 28.5% from US\$1.1 trillion in 2019 to US\$1.4 trillion in 2020.**

By  
RCEP members

Number of people  
purchasing consumer  
goods via the internet

Average annual consumer  
spending on consumer goods  
e-commerce purchases

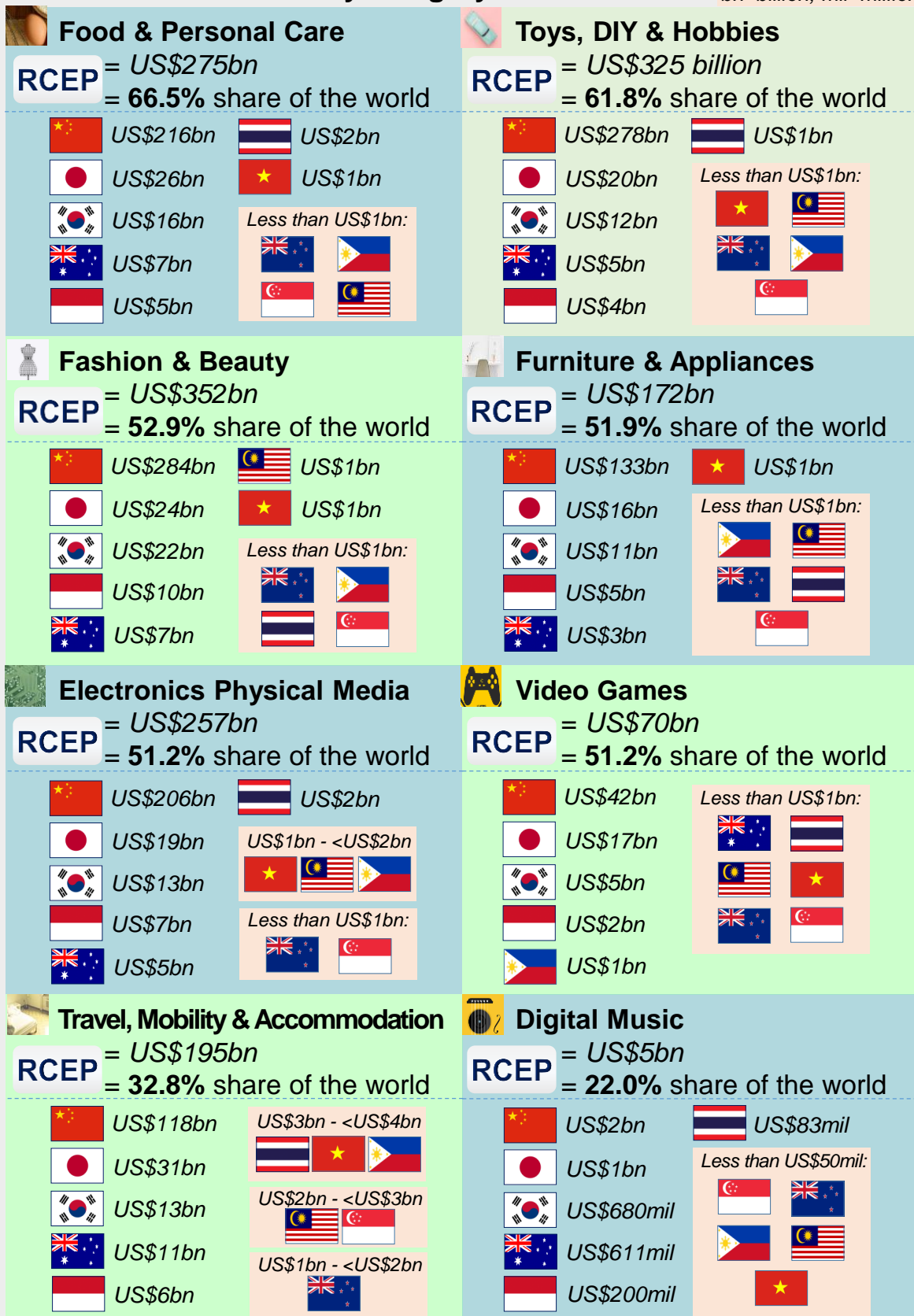


Note: \*Data excluded Brunei, Cambodia, Lao and Myanmar due to no data available  
Source: Data Reportal; SERC

# RCEP's E-commerce At A Glance (cont.)

## Total amount spent in RCEP's consumer e-commerce by category in 2020

bn=billion; mil=million



Note: No data published for Brunei, Cambodia, Lao and Myanmar  
Source: Data Reportal; SERC

# Salient Development of E-commerce in Selected RCEP Members

## Overall

- China would remain the largest consumers goods<sup>1</sup> e-commerce market in RECP. In 2020, it has dominated 77.6%-85.7% share of RCEP's consumer e-commerce.
- In 2020, **South Korea has the highest average annual consumer spending (US\$2,012) on consumer goods e-commerce**, followed by Australia (US\$1,492), China (US\$1,206), New Zealand (US\$1,102) and Japan (US\$1,078).
- **Average annual spending on consumer goods e-commerce purchases in ASEAN-6<sup>2</sup> was below RCEP's benchmarking of US\$1,022.** This indicates a huge potential market due to rising economic growth, higher income level and consumerism.
- The potential of e-commerce has yet to be fully tapped in Cambodia, Myanmar and Laos has no data available at the moment.

## Mobile Commerce (m-commerce) Adoption

- **More than half of internet users<sup>3</sup> made purchases online via a mobile device:** Indonesia (79.1% of internet users), Thailand (74.2%), Philippines (69.6%), Malaysia (68.4%), China (64.3%), Vietnam (61.4%), South Korea (59.9%) and Singapore (56.9%).

## E-commerce payments

- **In China, 72% share of e-commerce payments was made via e-wallet**, the highest adoption rate among RCEP members.
- A high percentage (45%-58%) share of e-commerce payments via **credit cards** in Singapore, Japan and South Korea.
- 23%-31% of customers in Indonesia, Malaysia, Thailand and Vietnam have adopted e-commerce payment made via **bank transfer**.
- **Cash on delivery (COD)** is a common usage (22%-28% share) in e-commerce payment in Philippines, Thailand and Vietnam.

*Note: 1- Refer to food & personal care, toy, DIY & hobbies, fashion & beauty, furniture appliances and electronic & physical media; 2- ASEAN-6 refer to Malaysia, Indonesia, Philippines, Singapore, Thailand, and Singapore; 3-The figure represent in the findings of a broad global survey of internet users aged 16 to 64;*

*Source: GLOBALWEBINDEX (Q3 2020); AS, "WORLDPAY 2021 GLOBAL PAYMENT REPORT" (MAR 2021);*

# Salient Development of E-commerce in Selected RCEP Members (cont.)

## Online Product Research

- 74.1% of internet users<sup>1</sup> in Philippines will conduct online product research before making a purchase, followed by Indonesia (73.9%), Malaysia (68.2%), South Korea (64.9%), New Zealand (63.5%), Singapore (59.8%), Thailand (58.2%), Australia (58.2%), Vietnam (56.5%), Japan (55.1%) and China (42.8%).

## Others

- As stated in Special arrangement for selected subparagraphs Chapter 12 of RCEP, **Cambodia, Lao PDR, and Myanmar** shall not be obliged to apply this subparagraph for a period of five years after the date of entry into force of this Agreement.
- We deduce that e-commerce's eco-system and infrastructure in Cambodia, Lao PDR and Myanmar are not ready for foreign buyers' and sellers' participation. These countries will be given five years to build e-commerce infrastructure, to legalise electronic signature and to form a legal framework for consumer protection and personal information protection, to be in synchronisation with other RCEP members.
- Cambodia has launched the E-commerce Strategy on 25 November 2020 in a bid to achieve and drive towards competitive growth in trade and economic. It pursuits to become an upper middle-income country by 2030 and a high-income country by 2050.
- Certain China's manufactured products or imported products planning to sell in China's market need to be certified by the China Compulsory Certificate mark. For example, electric tools, toy products, household and similar electrical appliances or home décor and remodeling products

*Note: 1-The figure represent in the findings of a broad global survey of internet users aged 16 to 64;  
Source: The Phnom Penh Post, Switzerland Global Enterprise*





# How Malaysia SMEs Take Advantage of E-commerce in RCEP?

## 1. Improvement of Market Access

- In Annex I (Schedules of Tariff Commitments), **RCEP countries will reduce at least 92% tariff lines in 20 years**. Some selected goods will immediately enjoy zero tariffs while certain tariff lines in selected goods will be reduced progressively according to the proposed timeline.
- For example, China's imported goods from ASEAN countries:
  - 67.9% goods immediately enjoying zero tariffs
  - 22.6% goods will enjoy zero tariffs over 10, 15 or 20 years
  - 5.4% goods will enjoy reduced tariffs
- Each RCEP country has published online about their schedules of tariff reduction/elimination commitments. It allows SMEs to analyse the offering of products in e-commerce platform.

## 2. Sourcing of Competitively Priced Goods & Raw materials

- Malaysia also has committed to reduce tariffs in certain goods or allow certain imported items immediately enjoying zero tariff rates. These range from consumer and industrial goods, intermediate and semi-finished goods as well as fruits etc. For example, imported kiwifruits will immediately enjoying zero tariff rate or imported desiccated coconut will enjoy zero tariff rate after year 9 of the RCEP implementation.
- The tariffs reduction/elimination will increase the supply and demand of variety of goods for consumers and suppliers. Besides SMEs can sell their products, they can source competitively priced raw materials to lower the cost of production.

**For more information, kindly refer to SERC's research paper on "RCEP – Trade in Goods"**

## 3. Reduce Market Barriers

- It opens up borderless marketplaces for SMEs to sell their products via both B2C and B2B platforms. Overcome geographical limitations, lower costs, gain new customers, create markets for niche products.

### Popular B2B Marketplace



*Largest B2B Marketplace in Asia Market*



*The Second Mover into the B2B Market*



*Korea's Largest Online B2B Marketplace*



*China's Credible B2B Marketplace*



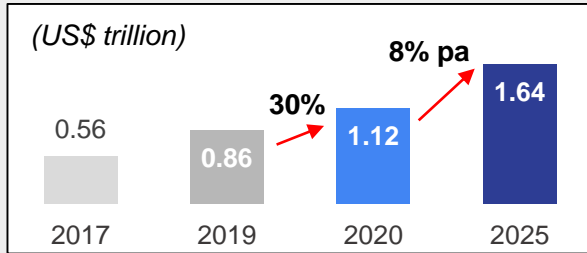
*Malaysia's New Adopter of Online B2B Marketplaces*

Source: Exabytes.my

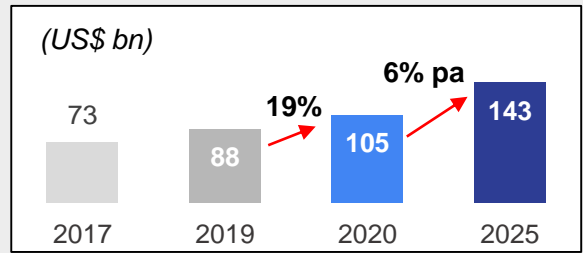
# The Potential of E-commerce Value and Growth in Selected RCEP Countries

Note that e-commerce value posted here is different from data in previous slide due to different data set provided by various website

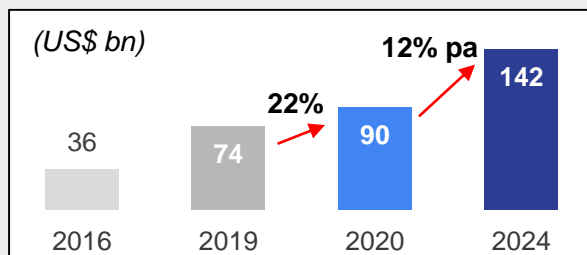
## China



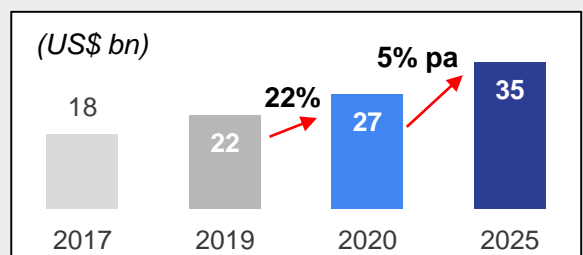
## Japan



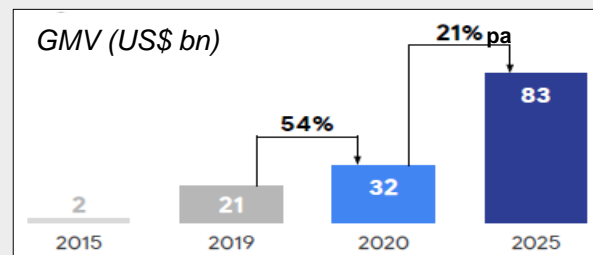
## South Korea



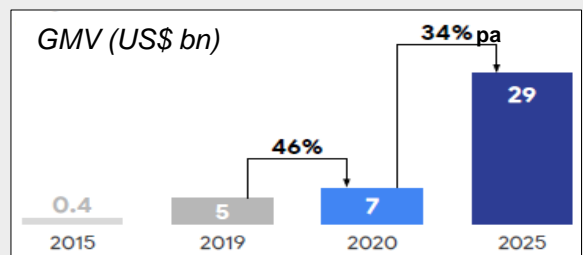
## Australia



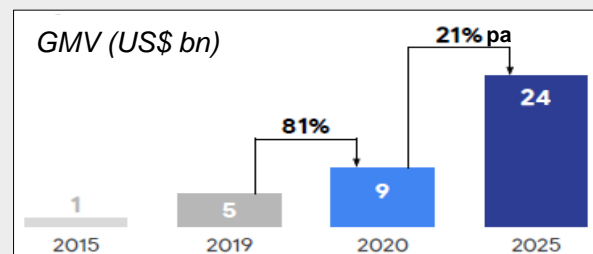
## Indonesia



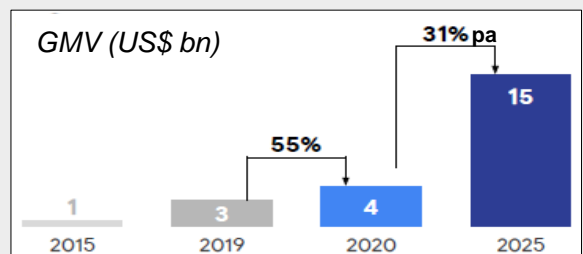
## Vietnam



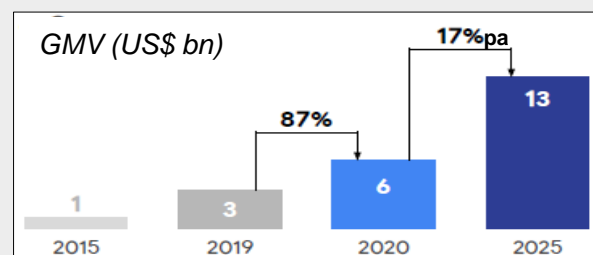
## Thailand



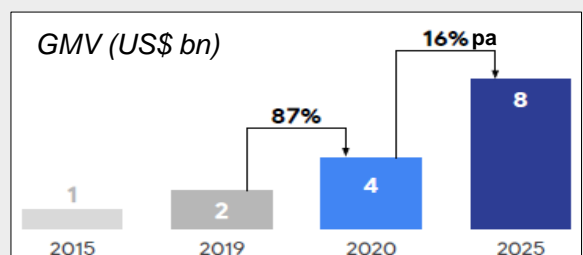
## Philippines



## Malaysia












## Singapore



\*Gross merchandise value = GMV

Source: Statista, Google, TAMASEK, Bain & Company, Global Data

# SMEs Outlook in RCEP

	<b>SMEs = 65.5 million<sup>^</sup></b> (99.9% of total establishment) <sup>^</sup>	<ul style="list-style-type: none"> <li>• 57.1% of GDP<sup>^</sup> / 15.7% of total export<sup>^</sup></li> <li>• Contributed 96.9% of total employment<sup>^</sup></li> </ul>
	<b>SMEs = 15.3 million<sup>”</sup></b> (84.4% of total establishment) <sup>”</sup>	<ul style="list-style-type: none"> <li>• 60.0% of GDP<sup>#</sup> / 41.5% of total export<sup>**</sup></li> <li>• Contributed 79.4% of total employment<sup>”</sup></li> </ul>
	<b>SMEs = 6.6 million<sup>”</sup></b> (99.9% of total establishment) <sup>”</sup>	<ul style="list-style-type: none"> <li>• 37.8% of GDP<sup>`</sup> / 34.0% of total export<sup>`</sup></li> <li>• Contributed 83.0% of total employment<sup>”</sup></li> </ul>
	<b>SMEs = 3.6 million<sup>@</sup></b> (99.7% of total establishment) <sup>@</sup>	<ul style="list-style-type: none"> <li>• 53.0% of GDP<sup>@</sup> / 8.2% of total export<sup>@</sup></li> <li>• Contributed 68.8% of total employment<sup>@</sup></li> </ul>
	<b>SMEs = 3.1 million<sup>^</sup></b> (99.5% of total establishment) <sup>^</sup>	<ul style="list-style-type: none"> <li>• 35.3% of GDP<sup>^</sup> / 13.4% of total export<sup>^</sup></li> <li>• Contributed 69.5% of total employment<sup>^</sup></li> </ul>
	<b>SMEs = 2.4 million<sup>^</sup></b> (99.8% of total establishment) <sup>^</sup>	<ul style="list-style-type: none"> <li>• 54.7% of GDP<sup>^</sup> / 3.8% of total export<sup>^</sup></li> <li>• Contributed 66.4% of total employment<sup>^</sup></li> </ul>
	<b>SMEs = 995,745<sup>^</sup></b> (99.5% of total establishment) <sup>^</sup>	<ul style="list-style-type: none"> <li>• 35.7% of GDP<sup>”</sup> / 25.0% of total export<sup>^</sup></li> <li>• Contributed 62.4% of total employment<sup>^</sup></li> </ul>
	<b>SMEs = 907,065<sup>`</sup></b> (98.5% of total establishment) <sup>`</sup>	<ul style="list-style-type: none"> <li>• 38.9% of GDP<sup>^</sup> / 17.9% of total export<sup>^</sup></li> <li>• Contributed 48.4% of total employment<sup>^</sup></li> </ul>
	<b>SMEs = 784,000<sup>*</sup></b> (98.0% of total establishment) <sup>*</sup>	<ul style="list-style-type: none"> <li>• 40.0% of GDP<sup>*</sup> / 30.0% of total export<sup>*</sup></li> <li>• Contributed 50.0% of total employment<sup>*</sup></li> </ul>
	<b>SMEs = 523,371<sup>#</sup></b> (99.5% of total establishment) <sup>#</sup>	<ul style="list-style-type: none"> <li>• 25.0% of GDP<sup>#</sup> / NA</li> <li>• Contributed 42.6% of total employment<sup>#</sup></li> </ul>
	<b>SMEs = 512,870<sup>+</sup></b> (99.8% of total establishment) <sup>+</sup>	<ul style="list-style-type: none"> <li>• NA / NA</li> <li>• Contributed 71.8% of total employment<sup>+</sup></li> </ul>
	<b>SMEs = 279,700<sup>*</sup></b> (99.5% of total establishment) <sup>*</sup>	<ul style="list-style-type: none"> <li>• 43.0% of GDP<sup>*</sup> / NA</li> <li>• Contributed 70.6% of total employment<sup>*</sup></li> </ul>
	<b>SMEs = 124,567<sup>”</sup></b> (99.8% of total establishment) <sup>”</sup>	<ul style="list-style-type: none"> <li>• NA / NA</li> <li>• Contributed 82.4% of total employment<sup>”</sup></li> </ul>
	<b>SMEs = 75,116<sup>^</sup></b> (89.9% of total establishment) <sup>^</sup>	<ul style="list-style-type: none"> <li>• NA / NA</li> <li>• NA / NA</li> </ul>
	<b>SMEs = 5,990<sup>^</sup></b> (97.3% of total establishment) <sup>^</sup>	<ul style="list-style-type: none"> <li>• 35.5% of GDP<sup>”</sup> / NA</li> <li>• Contributed 55.6% of total employment<sup>^</sup></li> </ul>

Note: NA = Not Applicable; <sup>\*</sup>Data=2020; <sup>^</sup>Data=2019; <sup>`</sup>Data=2018; <sup>#</sup>Data=2017; <sup>@</sup>Data=2016; <sup>’</sup>Data=2015; <sup>\*</sup>Data=2014; <sup>\*\*</sup>Data=2012; China SMEs refer to “Privately-owned medium-sized, small and micro companies”; New Zealand GDP refer to “Small and Micro” business only; GDP in Cambodia and South Korea refer to “Added Value; Indonesia’s total export refer to total non-oil and gas exports; Philippines’ export refer to total export revenue  
Source: Kementerian Koperasi dan Usaha Kecil dan Menengah (Indonesia); ChinaDaily; Ministry of SMEs and Startups, Korea; Japan Economic Census for Business Activity (2016), National Association of Small and Medium Enterprise Promotion Organizations (Japan), The Small and Medium Enterprise Agency (Japan); The Office of SMEs Promotion (OSMEP); Australian Small Business and Family Enterprise Ombudsman (ASBEFO), Australia Bureau of Statistics ; Department of Trade and Industry (Philippines); Department of Statistics, Malaysia (DOSM); Hanoi Times, ADB Asia SME Monitor 2020; OECD, Ministry of Business, Innovation & Employment (New Zealand); Department of Statistics, Singapore; Brunei Darussalam Statistical Yearbook 2019

# Challenges Faced by Malaysia's SMEs for E-commerce Adoption

- **SMEs accounted for 98.5% of total business establishments in Malaysia or 907,065 SMEs in 2015.** In 2019, SMEs contributed 38.9% of Malaysia's GDP; 48.4% to total employment; and 17.9% of total exports.
- RCEP e-commerce offers big opportunities for SMEs to integrate with both regional and global markets. In particular, there are great potential benefits for market access into China, South Korea and Japan.
- **Are SMEs ready for e-commerce?** Build e-commerce capabilities – accelerate digital technology; ensuring smooth customer journey (e-payment, delivery and e-payment protection and customer satisfaction).



The EY's survey conducted in June 2020 revealed that **84% of SMEs have experienced difficulties with online connectivity and communicating with their suppliers and customers, in addition to issues with infrastructure during the Movement Control Order (MCO).**

## 1. Lack of ICT Workers in Understanding E-commerce

- ACCCIM M-BECS\*\* for 2H2018 and 1H2019F revealed that the lack of IT knowledge or IT technicians has restrained SMEs to adopt e-commerce.
- Lack of digital marketing resources and e-commerce skills will cause local businesses unable to connect with potential customers or to identify potential market segments.
- A study by Workday in 2020 stated that 67% of Malaysian businesses indicated that less than half of their employees are equipped with digital skills and capabilities. 13% of respondents revealed that almost none of employees with digital experience or skills.

## 2. Unaware of the Rules & Regulations in E-commerce

- Tam Yong Sheng, *eBay Southeast Asia Head of cross-border Trade Business Development*, commented that though Malaysia is recognised as a manufacturing hub for automotive and furniture product categories in eBay' platform, Malaysian SMEs are unfamiliar with export shipping documentations and unable to get competitive shipping rates when accessing to global e-Commerce

\*SMEs' manufacturing exports + SMEs' agriculture exports; \*\*Malaysia's Business and Economic Conditions Survey Report (M-BECS)

Source: DOSM; SME Corp, The Sun Daily

# Challenges Faced by Malaysia's SMEs for E-commerce Adoption (cont.)

## 3. Uncompetitive Trade Compliance

- The shipping period and delivery will affect customer's purchase decision. ShippyPro (2019) revealed that consumers don't accept a shipment that takes more than 3-4 days to arrive for those giant e-commerce platform (e.g. Amazon).

	Australia	China	Japan	Malaysia	New Zealand	Singapore
<b>Time to export</b> , in terms of:	<i>Hours</i>	<i>Hours</i>	<i>Hours</i>	<b>Hours</b>	<i>Hours</i>	<i>Hours</i>
Border compliance	36	21	27	<b>28</b>	37	10
Documentary compliance	7	9	2	<b>10</b>	3	2
<b>Time to import</b> , in terms of:	<i>Hours</i>	<i>Hours</i>	<i>Hours</i>	<b>Hours</b>	<i>Hours</i>	<i>Hours</i>
Border compliance	39	36	40	<b>36</b>	25	33
Documentary compliance	4	13	3	<b>7</b>	1	3

Source: Doing business 2020

## 4. Slow and Unstable Internet Speed

- The Economic Census 2016 revealed that SMEs' participation in e-commerce were concentrated in Selangor (34.6% share) and Kuala Lumpur (28.8%).
- Unreliable and slow connections will hamper e-commerce growth via affecting business productivity; slowing response time and communication flows to customers and suppliers.

Malaysia's internet speed is below global average. Mobile internet speed is lagging behind almost all the RCEP countries.

Uneven internet speed within Malaysia is a barrier to adopt e-commerce, especially for the northern states.

By RCEP countries	Mobile	Fixed Broadband
	<i>Mbps</i>	<i>Mbps</i>
South Korea	192.6	217.2
China	153.1	178.6
Australia	125.7	80.0
Singapore	82.2	250.4
New Zealand	82.1	164.2
Japan	59.7	177.4
<b>Global Average</b>	<b>54.5</b>	<b>105.2</b>
Brunei	52.0	36.1
Thailand	50.3	214.3
Vietnam	44.5	70.1
Philippines	32.0	58.7
Laos	30.3	43.0
<b>Malaysia</b>	<b>27.5</b>	<b>102.9</b>
Cambodia	24.7	24.4
Myanmar	22.2	22.7
Indonesia	21.0	26.1

Source: Global Speeds Index (As of May 2021)

By state & federal territory	4G Download Speed (Mbps)	Fixed Broadband Speeds* (Mbps)
Putrajaya	16.5	69.4
Kuala Lumpur	16.0	82.4
Selangor	13.9	91.8
Pahang	13.7	53.8
Negeri Sembilan	13.4	72.6
Sarawak	13.0	65.2
Johor	12.9	66.9
Melaka	12.7	58.9
Perak	12.7	55.0
Labuan	12.5	43.5
Pulau Pinang	12.0	49.1
Terengganu	11.7	51.5
Kelantan	10.8	42.8
Sabah	10.6	59.3
Perlis	10.6	45.7
Kedah	10.5	36.6

Note: Data collection period for 4G Download Speed: 1 August - 29 October 2020; \*refer to download speed in Q3-Q4 2019  
Source: Open Signal; Speed Test

# Challenges Faced by Malaysia's SMEs for RCEP E-Commerce

## 5. Stiff Competition

- Shopee is a the most commonly used e-commerce platform in selected countries in ASEAN. As of 1Q 2021, Shopee was ranked as the highest monthly traffic of e-commerce platform in Malaysia, Singapore, Vietnam, Philippines and Thailand.
- With the further tariff liberalisation in trade, more foreign companies could directly list their products via Shopee and vice versa.
- Well-known foreign e-commerce companies, such as Gmarket (Korea), Rakuten (Japan) or Tokopedia (Indonesia) could enter Malaysia's market and intensify the competition.



## 6. Communication Barrier

- Although “English” is an international language, e-commerce platform in RCEP countries uses their own national language. In RCEP, there are 12 national languages (*Brunei, Burmese, Chinese, English, Indonesian, Japanese, Khmer, Lao, Malay, Filipino, Thai and Vietnamese*).
- Based on “Can't Read, Won't Buy” survey (2020), **65% of global consumers prefer to buy exclusively in their native language.**
- Zendesk survey (2017) highlighted that 62% of B2B and 42% of B2C customers will buy more after experiencing good customer service.
- To ease the communication barrier, the company can invest in technology investment (e.g. Chatbox) for the translation of languages in order to effectively communicate with and understand consumers' needs in e-commerce.

*Helo*    *ဟယ်လို*    *你好*    *Hello*    *Halo*    *こんにちは*  
*ស្ទួនី*    *ສະບາຍດີ*    *Kamusta*    *สวัสดี*    *xin chào*

# Popular E-commerce Marketplace\* in Selected RCEP members

Number = Monthly web visits

mil : million

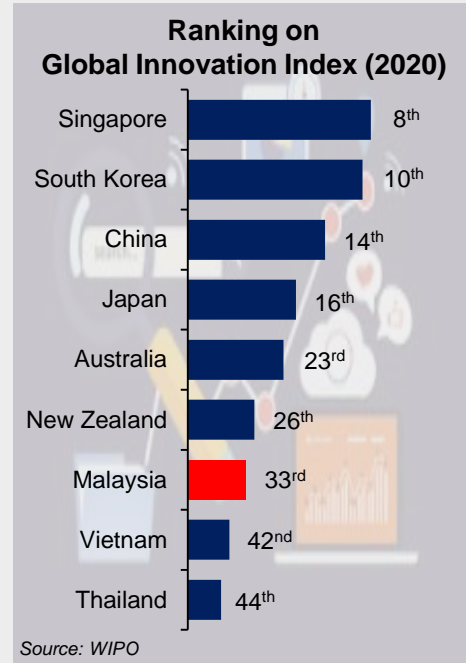


Note: \*Only capture e-commerce platform that bring buyers and sellers together to facilitate transactions.; \*\*Estimated monthly visits for April 2021; \*\*\*monthly web sites in 1Q 2021; #Web traffic in May 2020.^Australasia is a region which comprises Australia, New Zealand, and some neighbouring islands. Source: iPrice.my; Web Retailer; Similar Web; Statista

# Malaysia's SMEs : Strategies to Reap More RCEP Opportunities

## 1. Embarking on Research and Development (R&D)

- “Unique” or “high quality” products development usually undergoes a long journey of R&D process. Consumers are willing to pay premium prices for unique products or high quality products.
- Cheap and low quality products are not a suitable strategy for SMEs engaging in cross-border e-commerce. **SMEs must participate in R&D and innovation.**
- The collaboration between academic and industry can be one of the solutions for SMEs to develop new products with reasonable investment cost.
- **Various public policies, including financial, tax credits and incentives, networking, and IPR support programs** to promote SMEs in R&D and innovation.



## 2. Going for Green and Sustainable Products

- **SMEs need to rethink their products positioning.** Adopt the pricing strategy is not a wise choice to develop the brand recognition for the customers online as it will lead to a price war.
- **SMEs should emphasize on green and sustainable products**, which are produced by recycled and environmental safer materials and manufactured using ethically sourced labour.
- “Go Green” is the upcoming trend, consumers, especially in South Korea and Japan are highly conscience about eco-friendly products. In China, 73.3% of consumers are willing to pay a premium to purchase sustainable products.

## 3. Merger and Acquisition (M&A) Between SMEs

- Micro and small enterprises with innovative products have difficulties reaching the entire potential markets for selling their products.
- SMEs are subject to constraints in internal resources, such as capital, human resources, and knowledge due to their small size. Also, access to external resources is limited due to market failures.
- It is through M&A, it allows SMEs to achieve economies of scale and prevent them from acquired by large enterprises. Through strategic collaboration with foreign partners and M&A, SMEs are able to take large quantity orders from overseas buyers after M&A.



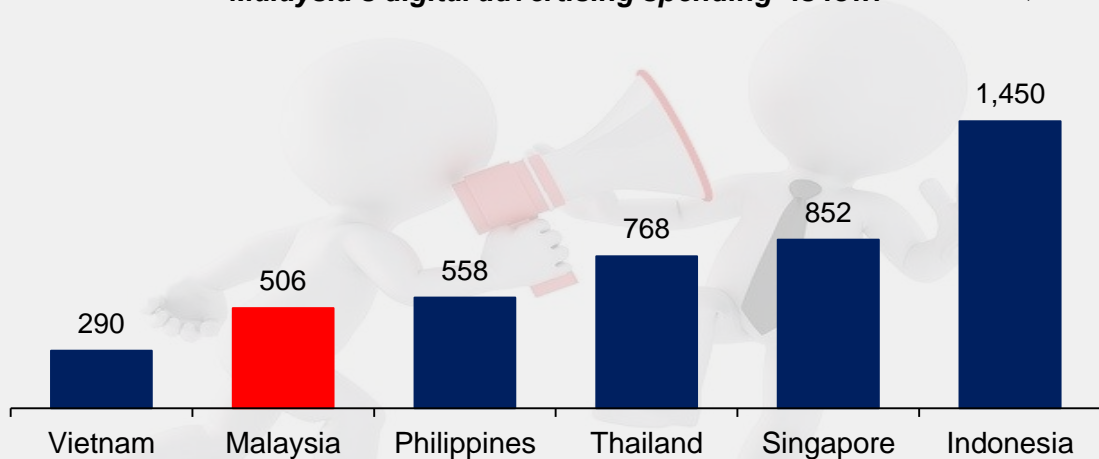
# Malaysia's SMEs : Strategies to Reap More RCEP Opportunities (cont.)

## 4. Enhance Brand Awareness

- E-commerce adoption is accelerating, **it's more important that how to differentiate your products' brand from the competitors**. On average, 61.6% of RCEP's consumers will conduct an online product research before making a purchase. Accurate and useful Information available online about a company's background, product specifications, and customers' feedback will influence the buyer's decision.
- A study has revealed that 31.5% of Malaysia's firms had a website in 2018, which was relatively low compared to Thailand (45.5%), Singapore (48.6%), Philippines (52.4%), and those non-ASEAN economies in RCEP (65.4-92.4%).

**Malaysia's digital advertising spending\* is low.**

US\$ million



Note: Include digital search advertising, social media advertising, digital banner advertising, digital video advertising, and digital classified advertising.

Source: Data Reportal

## 5. Apply Grant or Programs Offered by Government

- The COVID-19 pandemic not only had significantly affected many traditional and physical business operations but also reshaped the mode of business transactions and consumers' spending behaviour as well as customer experience.
- **Digital technology has increasingly become an important business tool and cost effective solution to conduct business** during the pandemic and post the COVID-19 environment.
- A number of initiatives to help SMEs in going digital and online, which amongst others include:
  - a) In PEMULIH package, RM300 million allocation to help SMEs to onboard onto e-commerce and e-payment platforms under "Go eCommerce and Shop Malaysia Online (SMO) campaigns.
  - b) "100 Go Digital" by MDEC to enable traditional businesses in key sectors moving towards digitalisation, improving efficiency and customer experience.

# What the Government Can Do to Facilitate Businesses

## 1. E-commerce Statistics and Information Database

- **Timely, accurate and complete e-commerce statistics and industry market database are useful** for companies to conduct market research and tap the potential benefits of e-commerce marketplace.
- **Government agencies (e.g. MPOB or FAMA) have to collaborate with reputable e-commerce platforms** to provide e-commerce statistics/information by specific products for their industry players.

## 2. Establish A Strategic Partnership with Foreign E-marketplace

- **Government agencies, which represent specific sector should collaborate with the well-established B2C (e.g. Taobao or Gmarket) and B2B (e.g. Alibaba or EC Plaza) e-commerce platforms** to offer newcomers' packages and provide technical support to the Malaysian businesses.

## 3. Expedite Customs Clearance for Exports & Imports

- **Reliable customs clearance for the shipment of goods exporting to and importing from** via selected e-commerce platforms in RCEP countries.
- Customs clearance on schedule and hassle-free, faster release times, reduced processing charges, and simplified procedures.

## 4. Tax Reduction

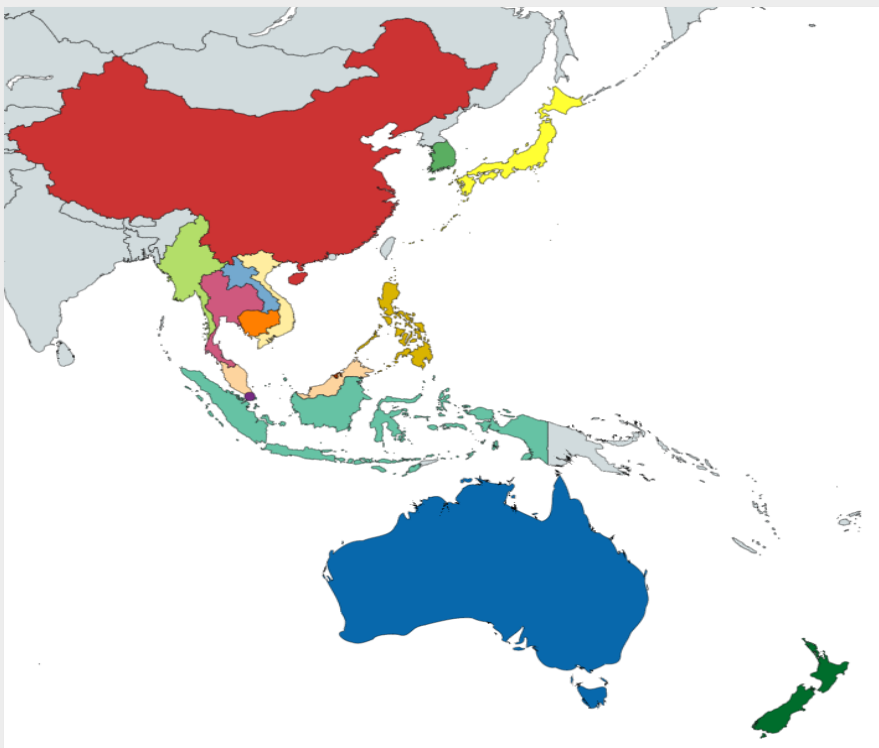
- In 2021, Malaysia's corporate tax rate of 24% is the highest rate in ASEAN-6, followed by Indonesia (22%; will reduce to 20% in 2022), Philippines (20%), Thailand (20%), Vietnam (20%) and Singapore (17%). It is proposed that **to reduce the corporate tax rate by 2%-4% over next 2 years for SMEs and large enterprises, respectively**, to encourage them participating in cross-border e-commerce.

## 5. The Formation of Innovation and R&D Consortia

- **Encourage domestic firms to invest more in research and development (R&D) and innovative activities** through (i) Provision of subsidy and tax credits for R&D and human resources development, grants for targeted innovative activities, and patent grants; and (ii) Promote the commercialisation/transfer of technology for new products among universities/innovators in collaboration with the industry players.

# Conclusion

- **RCEP offers great opportunities for Malaysian entrepreneurs to have market access to large markets in RCEP**, especially China, South Korea, Japan and Australia.
- **Cross-border e-commerce gets big boost from RCEP agreement.** The commitment of tariff reductions/eliminations, easier trade and investment facilitation as well as reducing non-tariff barriers will expedite deeper cross-border business and trading activities.
- With the implementation of RCEP, **competition is inevitable in the global trading market place, which is now being revolutionised by digital technology and e-commerce.** The strengthening of e-commerce capabilities will increase SMEs' wider participation in regional and global supply chains.
- It is therefore important for **Malaysian manufacturers and SMEs to focus on maintaining products quality and standards as well as branding development to stay competitive in international markets.** Enhance brand awareness, develop unique products via R&D as well as produce green-friendly and sustainable products.





# SERC Sdn Bhd

Socio-Economic Research Centre

**Company No.: 918837-W**

**6<sup>th</sup> Floor, Wisma Chinese Chamber,  
258, Jalan Ampang,**

**50450 Kuala Lumpur, Malaysia**

**Tel: (603) 4260 3116 / 3119**

**Email: [serc@accimerc.com](mailto:serc@accimerc.com)**

**Website: <https://www.accimserc.com>**

