

Digital Platform Markets of ASEAN and India: Implications for Cooperation with Korea

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I. Introduction

Recently, the growth of digital platform markets in ASEAN and India (in other words, the New Southern Policy [NSP] region, based on Korea's current policy) is prominent. With COVID-19, demands for economic and social activities centered on digital platforms are expected to rise further. This report presents implications for Korea's cooperation with ASEAN countries and India by studying their digital platform markets, related laws and regulations, policies, as well as the government-level strategies of countries such as the United States, China and Australia toward these countries.

II. Digital Platform Markets

1) ASEAN

ASEAN countries are evaluated as having high growth potential in digital platform markets due to their rapid economic growth, high

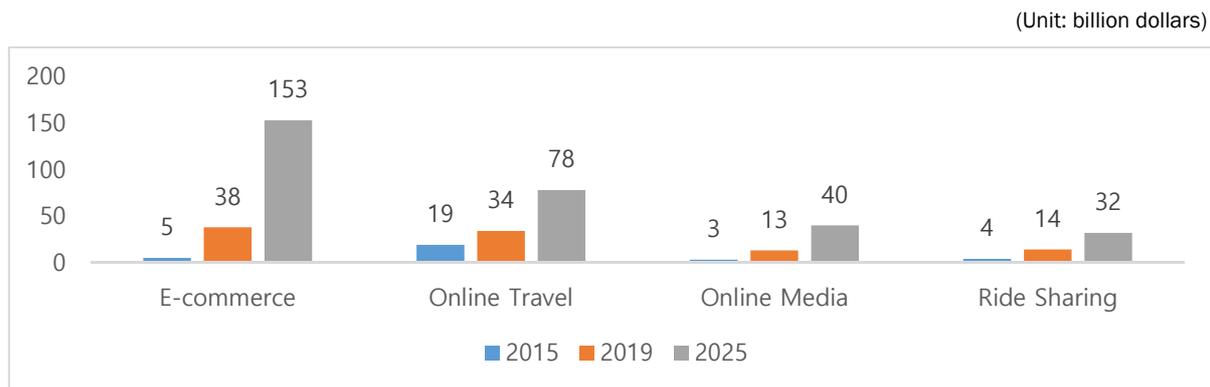
proportion of young population, and fast expansion of internet and mobile infrastructure. According to Google-Temasek (2019), the size of the internet economy in six ASEAN countries as of 2019 is estimated at about \$98 billion, more than three times the 2015 estimate of \$31 billion. The leading areas of ASEAN digital platform markets are e-commerce, ride sharing and delivery services, with local and global platforms engaged in fierce competition. Content platform markets represented by Over the Top (OTT) contents are also expected to grow rapidly on the occasion of COVID-19, and the growth potentials in the education and healthcare sector are also high.

In the fields of e-commerce and ride-sharing, it is an effective strategy for Korean firms to focus on establishing a cooperative relationship with local platforms, for example through equity investment or strategic alliance, rather than directly entering platform markets in ASEAN countries. In the case of

the OTT market, Korean content is in great demand, so it is necessary to focus on effectively supplying Korean contents through various channels. Meanwhile digital finance,

healthcare, and education are in the early stages of growth, but there are wide potential or niche markets where competitive firms, including startups, can grow.

Figure 1. Internet Economy Market Size in South East Asian Major 6 countries



Source: Google-Temasek. 2019. e-Conomy SEA Report 2019. p. 19

2) India

In India, digital transformation is accelerating. The number of smartphone users increased by nearly five times from 5.5 out of 100 in 2014 to 26.2 in 2018, and the average monthly mobile data usage per person during the same period expanded by more than 90 times from 0.09 GB to 8.30 GB (see Figure 2). Furthermore, non-contact demands are growing due to the establishment of a digital financial ecosystem based on the digital identification authentication system, Aadhaar, and the spread of COVID-19.

The digital transformation is expected to further accelerate with the rise of the middle class, the increase in female internet users, and the emerging role of generation Z as major consumer and workforce in the Indian

economy. Within the next decade, India's e-commerce market is expected to reach 200 billion dollars, boosted by the increase in smartphone users and expansion of electronic payment systems. The digital content market is rapidly growing as well due to the increase in smartphone and high-speed internet service users, huge drop of data usage fees, and the spread of COVID-19. The growth in digital financial services is also expected to continue, led by the digital payment sector. Lastly, the sectors of healthcare, agriculture, and education, supported by digitalization, are also predicted to show high growth.

Despite the impact of the Indian economy due to the spread of Covid-19, the competition for investment by major global companies focusing on the potential of the Indian digital economy continues. In the fields of e-

commerce, sharing economy, and digital contents, competition between global and local companies is fierce, thus investing in a competitive platform or seeking advancement through technical cooperation is considered an effective. Considering that interest in Korean contents is increasing in India in recent years, it is also possible to consider expanding the supply of Korean contents in connection with major platforms. Meanwhile, it is expected that there is still wide room to seek opportunities as an independent platform in digital finance, healthcare, agriculture, and education sectors.

Table 1. Digital Transformation in India

	2014	2018
Number of smartphones (per 100 people)	5.5	26.2
Average mobile data consumption per user per month (GB)	0.09	8.30
Average mobile download speed (Mbps)	1.3	9.9
Mobile broadband subscriptions (per 100 people)	5.4	34.3
Number of cashless transactions per person (per year)	2.2	18.0

Source: McKinsey Global Institute. 2019. Digital India: Technology to transform a connected nation. p.37.

3) Promising Sectors

¹ Crunchbase Database (Accessed on June 16, 2020). As companies including startups often mark one or more sectors as their representative business, some data may be over-calculated.

² NASSCOM (2019), "Indian Tech Start-up Ecosystem -

Based on Crunchbase data¹ and previous research,² we selected and reviewed ten sectors³ related to digital platforms in six ASEAN countries (Singapore, Vietnam, Malaysia, Philippines, Indonesia, Thailand), and India. In order to identify promising sectors with strong growth potential in the near future, we analyzed the above ten sectors, as follows. First, in terms of the size of funding, we found that the four sectors of e-commerce, sharing economy,⁴ OTT and fintech are receiving massive investments in scale. Second, the largest number of startups and companies are engaged in three sectors: e-commerce, education and healthcare. Third, we reviewed the sectors that were importantly considered in each country's policies.

As a result, considering the amount of funding received, the number of companies such as startups, and related policies, we derived five promising sectors: e-commerce, sharing economy, education, healthcare and fintech. However, a careful approach is required when examining sharing economy activities. While some services such as food delivery via mobile applications are becoming increasingly popular as people avoid going out due to the COVID-19 pandemic, other services that require face-to-face contact, such as ride-hailing services, are recently performing worse.

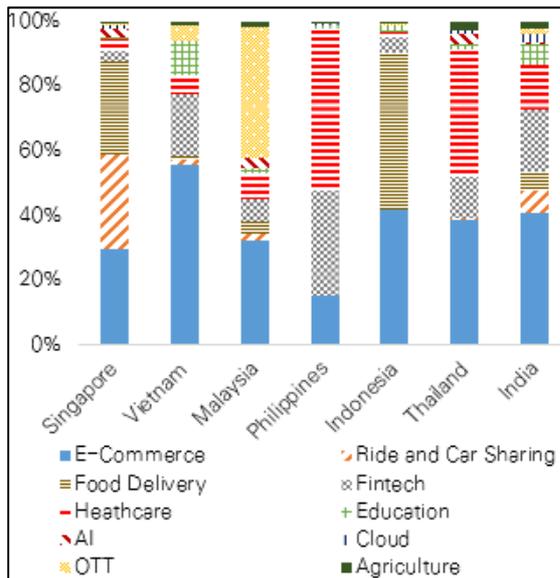
Leading Tech in the 20s," p. 15.

³ E-commerce, ride and car sharing, food delivery, OTT, fintech, education, healthcare, artificial intelligence (AI), cloud service, and agriculture.

⁴ Ride sharing, car sharing, food delivery and others.

Figure 2. Percentage of Funding related to Online Platforms By Country and Sector

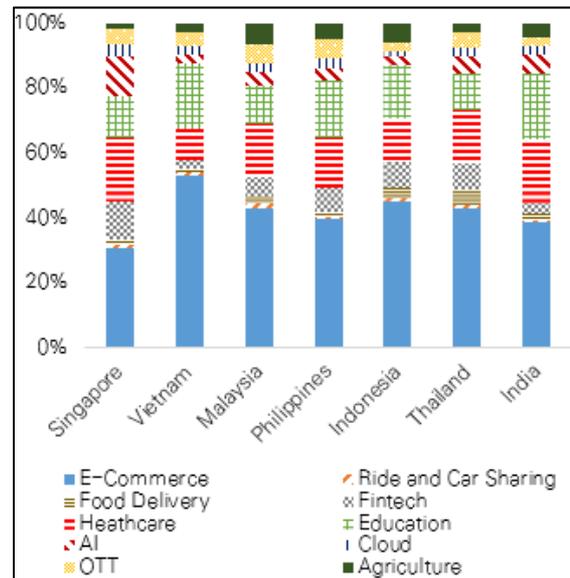
Unit: %



Source: Crunchbase database

Figure 3. Percentage of Companies related to Online Platforms By Country and Sector

Unit: %



Source: Crunchbase database

III. Digital Platform Regulations and Policies

1) ASEAN

ASEAN countries are in the process of establishing the institutional bases for digital platforms in terms of FDI, data protection, liability of platform companies, etc. In the case of FDI, some ASEAN countries maintain foreign investment regulations on digital platforms such as restriction of foreign ownership, investment screening, etc. Regarding personal information protection, ASEAN countries have legislated comprehensive personal information protection laws, or are introducing them soon. There are considerable differences in detailed regulations, for example, re-

garding independence of data protection institutions, consent of data subjects, data retention requirements, etc. (See Appendix 1) Many ASEAN countries have introduced a certain level of data localization regulations.

Starting with the e-ASEAN Framework Agreement in 2000, ASEAN has been promoting the digital platform industry through various policy frameworks such as the ASEAN Economic Community (AEC) Blueprint, ASEAN e-Commerce Work Programme, ASEAN Digital Integration Framework.

These various programs have been advancing the e-ASEAN initiative for decades, centered upon e-commerce promotion policies. Recently, ASEAN also adapted a few guidelines regarding the accountability and responsibility

of e-market providers to prevent illegal practice and disputes. These complementary guidelines shall play an important role to create a

sound and fair e-trade environment for platform providers in ASEAN.

Table 2. Major E-commerce and Digital Platform Promotion Policies in ASEAN

Agreement	e-ASEAN Framework Agreement	AEC Blueprint	ASEAN E-commerce Work Programme	ASEAN Digital Integration Framework	ASEAN E-commerce Agreement
Major Contents	e-Society	AEC implemented initiatives	Accountabilities and responsibilities of e-marketplace provider IPR cooperation	ASEAN Digital Integration Framework Action Plan 2019-2025	Regional e-commerce trade facilitation and SME promotion
Year	2000	2007, 2015	2017	2018	2019

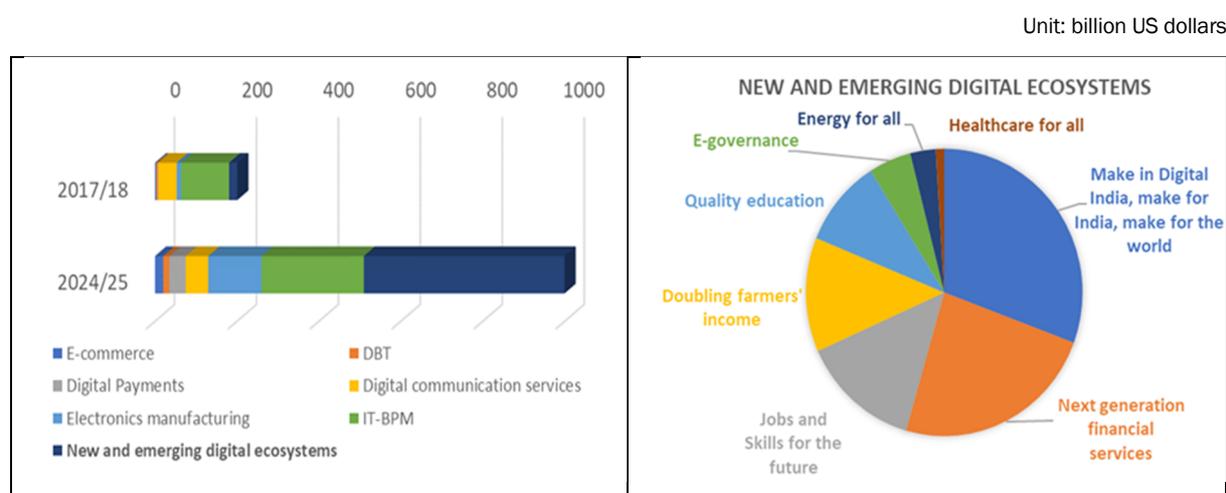
Source: ASEAN's documents.

2) India

India is in the process of developing digital platform regulations related to FDI, data protection, digital payment, etc. In the case of FDI, there are some foreign investment restrictions on telecommunication services, media, and e-commerce transactions, as well as

business registration requirements for e-commerce, data transactions, and web-based marketing businesses. India is recently introducing data localization regulations as revealed in the drafts of the National E-commerce Policy and Personal Data Protection Law.

Figure 3. Size of Digital India's Economy



Source: MeitY. 2019. "India's Trillion-Dollar Digital Opportunity." P.26.

With the Digital India campaign being promoted since 2015, the main focus of the Indian government is placed upon digital infrastructure. Digital infrastructure is divided into the establishment of a physical digital foundation, including the establishment of a wide area communication network, and the establishment of a service infrastructure using it. The key initiatives of the latter are Aadhaar and the various platforms linked to it, and financial settlement platforms based on a Unified Payments Interface (UPI).

Meanwhile, the Ministry of Electronics and Information Technology of India (MeitY) projected the digital economy in India to reach a value of \$1 trillion (18-23% of GDP) within five years. The main focus is the establishment of data platforms and public-private cooperation in fields such as e-government, health care, education, next-generation financial services, manufacturing, and agriculture.

IV. Major Countries' Strategies and Policies towards ASEAN and India

1) The US

US platform companies, such as search engines, social networks, and e-commerce, have high market shares in ASEAN. The US government sought to align digital trade norms with Singapore, Malaysia, Vietnam and Brunei through the Trans-Pacific Partnership (TPP). Despite its withdrawal from the TPP,

the US has gained influence in ASEAN by reflecting US-highlighted digital trade principles, such as cross-border free flows of data, in the e-commerce chapter of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

In addition, with the Indo-Pacific Strategy, the US government is actively seeking cooperation with ASEAN countries in the digital economy. The Indo-Pacific Strategy presents the digital economy as one of the major areas of cooperation, and stresses “supporting telecommunications infrastructure development,” “building transparent and competitive digital markets,” and “strengthening cybersecurity capabilities” of Southeast Asian countries. The US is somewhat diverging from its previous approach in that it now focuses on supporting the advancement of digital capacities of Southeast Asian countries, expressing strong vigilance against China.

Considering the various institutional conditions and economic and social characteristics of ASEAN countries, it remains to be seen how much the US's norm-oriented strategies can affect ASEAN countries in the short run. However, if ASEAN countries need a globally open digital ecosystem for the medium and long-term development of the digital economy, the US's measures might have a significant impact on them.

US platform companies enjoy a very high status in India. The country is a major market for US digital platforms such as Google, Amazon

and Facebook, which announced more than \$16 billion investment in India in 2020. The US government is focusing on efforts to improve regulatory conditions in India, noting India's huge digital platform markets, as the Indian government has recently introduced a series of (draft) policies and laws that control the transfer and utilization of its citizens' data.

In the era of US-China conflict, India will be a major market and partner for the US. The Indian government is expected to continue to keep Chinese digital companies in check from a national security perspective. Under these conditions, US platform companies are trying to expand their presence and investment in India while the US government maintains pressure on liberalization of Indian digital markets. If India shares some of the US's positions in terms of digital trade norms, one of the strategies the US might try is to push an agreement on data transfer with India, as it did with the EU. Although many preconditions are attached, the impact on the global digital economy would be huge if such a "big deal" were concluded.

2) China

China is expanding its influence in ASEAN with its abundant physical resources, including capital. It differs from the US, which is striving to build closer partnerships in this region typically through trade negotiations. In terms of cooperation with ASEAN countries, China has achieved remarkable results not

only at the corporate level, but also at the government level. These efforts have been driven primarily by long-term policies such as the Belt and Road Initiative. It is notable that China's influence has been taking root in the economies and societies of the region, thanks to its continued policy interests and huge investment over a considerable period of time.

In particular, China is promoting overseas expansion of local companies through multi-lateral cooperation with the ASEAN and Mekong countries in sectors such as cross-border e-commerce. These activities have been led by its local governments located near border areas such as Yunnan Province and the Guangxi Zhuang Autonomous Region. On the other hand, bilateral cooperation between China and India has been mainly promoted in the direction of generating synergy effects by utilizing their respective strengths and supplementing their weaknesses. However, due to the recent border disputes, business activities of Chinese companies are expected to subside for the time being.

3) Australia

The Australian government has established a coherent foreign strategy in the digital economy, conveyed in its foreign policy white papers and the International Cyber Engagement Strategy. Australia has established regulatory harmonization and cooperation with ASEAN countries through the CPTPP and the Digital Economy Agreement (DEA) with Singapore.

Australia is in a position to check China's influence in Southeast Asia, characterized by strengthening cooperation with ASEAN in terms of technology, institutions, standards, and R&D as well as regulatory liberalization. For example, the ASEAN-Australia Digital Trade Standards Cooperation Initiative is being promoted to strengthen ASEAN's capabilities to support ASEAN countries to introduce advanced digital technology standards.

The Australian government is pursuing digital cooperation strategies with India, focusing on education, finance, and medical health, based on the India Economic Strategy To 2035. It also plans to strengthen cooperation with India through the Australia-India Framework Arrangement on Cyber and Cyber-Enabled Critical Technologies Cooperation, which stresses building an open cyber environment and R&D cooperation related to cybersecurity. Considering areas where it is competitive or promising in India, Australia is focusing on fostering the cyber conditions underlying them.

V. Implications

Korea recently secured the momentum to diversify its economic cooperation with ASEAN and India through the implementation of the New Southern Policy in 2017. In ASEAN countries and India, demands for non-contact industries based on digital platforms, such as e-commerce, digital finance, education, healthcare and content, are increasing further in the wake of COVID-19. Particularly, tasks

such as sharing and utilizing data, convergence of 5G and artificial intelligence across whole industries, spreading digital education, digital healthcare, etc., presented by the Digital New Deal of Korea, need to be considered as themes of bilateral cooperation with ASEAN countries and India.

When implementing policies, the Korean government should make considerations to improve the quality of the economy and society, as the Southeast Asian and Indian people hope for. All the areas presented in this study, such as finance, healthcare, and education, are closely related to the economic and social needs of these countries. In this sense, the Korean government must play an important role in highlighting public interests, as well as business feasibility. In addition, since the regulatory environment has a significant impact on the businesses above mentioned, intergovernmental dialogue channels and the supply of information to companies are essential.

The Korean government needs to strengthen its support for companies targeting ASEAN countries and India. First of all, it is necessary to select specific sectors that are needed in the region. In particular, the areas of digital finance, healthcare, education, and contents are promising. Preemptive preparation is also required to support companies by securing various channels of cooperation and dialogue at the government level. It is advisable to provide customized supports by sector and encourage interaction and cooperation with businesses and institutions in the region.

In order to promote regulatory harmonization with ASEAN and India, it is necessary to preemptively promote digital economy and trade agreements, especially with Malaysia, Thailand and the Philippines, in addition to Singapore, with which Korea has already begun negotiations. These countries can serve as bridgeheads and cooperative partners of Korea in ASEAN. A feasible approach would be to promote regulatory liberalization, such as harmonization of personal information protection laws, relaxation of data localization rules, protection of source code, and promotion of investment on digital platforms. In addition, it is also very important to find areas of cooperation that reflect common interests on both sides, such as sharing experiences of improving personal information protection laws, utilizing public data, developing digital standards, cooperation in key areas like digital finance, healthcare, education, and joint capacity building projects, etc.

Despite India's reserved stance on digital trade liberalization, Korea should preemptively make considerations for India. Through the ongoing Korea-India CEPA improvement negotiations, it is necessary for Korea to actively raise the regulatory issues of India. In addition, it is necessary to secure a proactive cooperation mechanism by establishing a digital economic and trade agreement separately from the CEPA. In particular, it is important to share the institutional and policy trends of the two countries and identify cooperation issues by sector. **KIEP**

Appendix 1. Private Information Laws of ASEAN Countries and India (as of July 2020)

Category	Singapore	Malaysia	Indonesia	Vietnam	Thailand	Philippines	India
Data Protection Law	Personal Data Protection Act of 2012	Personal Data Protection Act of 2010	Regulation No. 20 of 2016 (Protection of Personal Data in an Electronic System)	Law on Network Information Security	Personal Data Protection Act	Data Privacy Act of 2012	Information Technology Act of 2000
Comprehensive Data Protection Law	○	○	△	○	○	○	△
Constitutional Right on Privacy	○	○	X	○	X	○	○
National Data Protection Authority	○	○	X	X	○	○	X
	Personal Data Protection Commission	Personal Data Protection Advisory Committee	-	-	Personal Data Protection Committee	National Privacy Commission	-
Consent on Provision of Private Information	express consent	express consent (sensitive information)	consent	express consent	express consent	express consent (sensitive information)	express consent (sensitive information)
Legal Definition of Sensitive Information	X	○	X	X	○	○	○
Regulations on Data Retention	○	○	○	○	○	○	○
Data Protection Authority (DPO)	○	X	X	○	○	○	○
Notification of Data Breach	Mandatory	△	△	○	○	○	○
	Guideline	○	X	○	○	○	○
Major Sectoral Regulations	<ul style="list-style-type: none"> -Guidelines • communication • real estate • education • healthcare • social services • banking - Sectoral Regulations • finance • healthcare 	<ul style="list-style-type: none"> - Code of Conduct • aviation • banking and financing • insurance • public services (electronics, etc.) 	<ul style="list-style-type: none"> - Sectoral Regulations • communication • banking and capital markets 	<ul style="list-style-type: none"> - Sectoral Regulations • banking and financing • insurance • e-commerce • information technology • communication • media • consumer protection 	<ul style="list-style-type: none"> -Sectoral Regulations • banking and financing • communication 	-	<ul style="list-style-type: none"> - Sectoral Regulations • e-payment • guidelines • communication • policy draft • national e-commerce policy

Notes: ○: The related regulations or laws exist. △: The related regulations or laws are under process of building. X: There are no related regulations or laws. -: The related regulations or laws are not identified.
Sources: Each country's legal documents; Deloitte. 2019. *Deloitte Asia Pacific Privacy Guide*; IKIGAI Law. 2020. "Digital Technology Policy for India's USD 5 Trillion Economy". Internet and Mobile Association of India; DLA PIPER. DATA Protection Law of the World. <https://www.dlapiperdataprotection.com/index.html?t=definitions&c=SG&c2=>