Asia at e-commerce epicenter

This region more than any other is benefiting from the new trade dynamics brought by technology and digitalization

By LURONG CHEN

Over $25 billion in gross merchandise volume was settled within 24 hours through Alibaba's online retail marketplaces during this year's Singles Day, or Double 11 (Nov 11) global e-shopping festival. Another leading e-commerce platform, JD.com, reported $19 billion in online orders the same day.

Global retail e-commerce sales have been growing faster than traditional retail sales since 2014, and Asia more than any other region is benefiting from the new international trade dynamics introduced by cross-border e-commerce.

E-commerce in many Asian markets will see double-digit growth in the next five to 10 years. India, Indonesia and Malaysia are among the fastest-growing retail e-commerce markets in the world at a rate of over 20 percent per year. E-commerce in China is growing at an annual rate of around 17 percent.

From 2015 to 2021, the region's total market revenue from e-commerce will increase from around $320 billion to over $900 billion. The Chinese market will contribute over 90 percent of this growth. China's share in the global e-commerce market will increase from about 30 percent in 2015 to nearly 40 percent in 2021, while India and the 10 member states of the Association of Southeast Asian Nations (ASEAN) will increase their combined share in the global market from 2.5 percent to 4 percent. With growth like this, Asia is likely to be the global epicenter of e-commerce by 2025.

What drives this intense growth?

First, adaptiveness. Economic digitalization is a worldwide phenomenon. The information revolution is associated with the emergence of new market conditions and dynamics in a global business environment.

To some extent, the region's adaptiveness to global economic digitalization comes from its capacity in technology adoption and incremental innovation. On one hand, the deep involvement in global value chains opens the window for developing Asia to access the latest technologies and also facilitates learning. At the same time, the countries' capacity for incremental innovation allows them to benefit from second-mover advantages to grow faster and even leapfrog to the front of the market. Examples are the popularity of e-payments in China and the success of Alibaba.

In ASEAN, facilitation of the growth of e-commerce is one of the six main areas covered by the e-ASEAN Framework Agreement, while at the national level, developing a digital economy and e-commerce have already been part of most Asian countries' national strategies and action plans.

Second, market gravitation. Despite the new features of a digital economy, the development of e-commerce is still influenced by traditional conditions for economic development such as market size, trade facilitation, investment freedom, and so on.

Asia covers almost half of the world's population, nearly 30 percent of global GDP and 40 percent of world trade. In terms of age distribution, 70 percent of the population in ASEAN is aged between 15 and 64, representing a large market on the consumer side and a large labor force on the producer side. By 2015, more than 1.2 billion people, or about half the households in the region, already had Internet access.

In the case of ASEAN, Internet connectivity is widespread in Singapore and Malaysia, and plays an important role in their economies. Nearly 90 percent of households in Singapore are Internet users.

In 2012, the Internet-related economy accounted for 4.1 percent of Malaysia's national gross domestic product. Even the less-developed CLMV countries — Cambodia, Laos, Myanmar and Vietnam — are quickly catching up. The proportion of Internet users in Vietnam increased from 1.3 percent to 52.7 percent between 2001 and 2015. Meanwhile, growth per year in the number of Internet users was 34.7 percent in Cambodia and 32.4 percent in Myanmar.

Third, readiness. E-commerce development needs support from technology, the market and government policy. A country's readiness to support the digital economy will determine the level of success of businesses involved in e-commerce.

Information and communications technology drives the development of e-commerce by expanding the volume and capacity of online communications, especially the use of fiber-optic cables and commercial satellites. Moreover, physical infrastructure that provides stable and fast Internet connection is a precondition for e-commerce development. In particular, many emerging Asian countries have made great progress in developing mobile broadband.

Almost 80 percent of Chinese users and two-thirds of those in ASEAN use a smartphone to access the Internet. India's smartphone penetration rate is projected to increase from 58 percent in 2015 to 74 percent in 2021.

A most urgent task is to build a region-wide e-commerce enabling environment, for which market mechanisms should take the lead, but the role of policy intervention should not be neglected. Government involvement is needed to set up rules, regulations and legislation in both the physical and virtual parts of the market to ensure the security and stability of e-commerce growth.

In addition to a country's national efforts, progress toward regional integration has provided policymakers with extra channels to promote e-commerce development via deeper market integration and cooperation, especially in regulation harmonization and service liberalization.

Typically, when thinking of long-term e-commerce success, the keys are human capital and innovation. This not only poses higher requirements for the coverage and quality of education and training systems, but also calls for region-wide service liberalization to improve mobility and help diffuse knowledge.

The region's potential for e-commerce development has increasingly drawn policy attention. Asian countries have been putting more intergovernmental effort into enhanced cross-border collaboration. The ongoing negotiations for the Regional Comprehensive Economic Partnership include extensive discussion on e-commerce and related issues such as consumer protection, data localization, intellectual property rights and cybersecurity. To turn this potential into ultimate success will require Asian countries' persistent efforts on implementation.

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Talent should be put to better use

Second-tier cities seeking professionals can gain an edge by improving conditions for staff development

By CHEN YONGWEI

To attract talent, some second-tier cities are competing not only with each other, but also with first-tier cities. The governments of some second-tier cities are offering professionals local *hukou* (household registration), which is linked to all social welfare benefits, residential accommodation and cash subsidies.

Due to the economic growth and industrial upgrading of such cities, they are now more capable and confident of competing with metropolises. Therefore, by drawing professionals, these cities will help narrow the regional development gap and promote more balanced economic growth.

The governments of these cities should realize that welfare, housing and money can attract some people in the short term, but that may not necessarily be sustainable in the long run.

Although the money and housing offered to professionals reflect the local governments' respect for their needs — especially given the exorbitant housing prices in some cities — that might not be enough to make them settle down in a particular city. The reason: Professionals seek the right prospects for career building rather than just benefits.

If the competition transforms into a contest among cities to provide better housing and more funds and bonuses to attract talent, most of the second-tier cities will stand no chance against their first-tier counterparts.

Shenzhen, which has developed from a fishing village into one of China's most robust growth engines, offers second-tier contenders valuable lessons on how to marshal talent.

The southern city has created a more equitable, inclusive and efficient policy and business environment for entrepreneurs, researchers and people striving to improve the quality of life through their industriousness, knowledge, skills and innovative capacity. Shenzhen has become a synonym for opportunity and dreams, attracting talent from different walks of life within a short time.

Moreover, the second-tier cities trying to attract talent should not offer the benefits together with harsh terms, such as requiring talent to not seek a job in another city before the end of 10 years, because that would make the benefits seem more like bait.

Imposing a 10-year minimum working period as a condition for the benefits provided is not rare. In fact, many local governments' work contracts have clauses saying that if a beneficiary leaves the city before 10 years, he or she will be required to pay a daunting amount as "liquidation" damages.

Good employers do not seek eternal loyalty from their employees. Instead, they seek to form a type of alliance with employees and create better conditions for the latter's development so that they can work to their fullest capacity, and in many cases maintain a harmonious relationship with the employer even after quitting their job.

The governments of second-tier cities seeking to attract talent would do good to follow this rule.

The flows and exchanges of talent are normal phenomena. What a city government should care about most is not lifelong loyalty, but creating the right atmosphere to allow professionals to use their talent to the fullest and, in doing so, contribute to the development of the city. That is what a talent hunt should be about.

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