



# Do Asean-wide super apps need to be regulated?

The pandemic is boosting e-commerce, with a growing role for competition law and policy across Asean to ensure open market access and fair practices

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The onset of the Covid-19 pandemic has hastened the migration of consumer spending from brick-and-mortar shopping malls to electronic-commerce (e-commerce) platforms, heralding a new era of growth for the digital economy.

Movement restrictions are unlikely to be removed in the near future, with most businesses likely to be subject to more stringent capacity limitations and crowd control measures. These generate market conditions – in Singapore and across the region – that magnify the significance of e-commerce as a pillar of all affected economies.

In South-east Asia, there is tremendous potential for cross-border e-commerce to drive regional economic integration and economic growth. Asean consumers are increasingly turning to their smartphones and mobile apps to engage in electronic transactions, whether it is to get a private-hire car, get food delivered, do e-payments or shop online. Successful e-commerce platforms operating across Asean today include Tokopedia from Indonesia and Lazada from Singapore.

While Asean has experienced positive developments, there is still

potential for greater e-commerce adoption in the region.

Firms face many challenges today, such as obstacles to foreign market access, and the lack of Asean-wide interoperable payment systems and digital services.

In addition, the development of e-commerce platforms has been affected by the emergence of interconnections between previously unrelated markets and industries. For example, “super apps” that make it easier for consumers to transact in different markets and industries through a common platform have the potential to simultaneously impede and facilitate cross-border e-commerce transactions.

During this pandemic, as businesses are forced to shut to reduce transmission risks, many are turning to e-commerce. Businesses that list their products on multiple e-marketplaces to sell to consumers overseas may be able to make up for the loss of domestic sales. Even when the Covid-19 pandemic abates and restrictions are eased, the role of e-commerce in strengthening business resilience and supporting economic recovery across Asean is likely to stay.

Super apps first emerged in China with apps such as Meituan, Alipay and WeChat leveraging the high recurring usage of their platforms to consolidate all types of different features onto a common application platform. For example, a social media chat app, typically

used many times a day, can include payment options and e-commerce, which let users shop and pay through the app.

Similar developments can be found in South-east Asia. Both Indonesia’s Gojek and Singapore-based Grab started as ride-hailing platforms but swiftly expanded to other services including their respective payment services. Grab in fact recently announced its collaboration with Singtel to bid for a digital banking licence in Singapore.

With many Asean consumers already familiar with apps and their many uses, there is tremendous potential to develop interoperable Asean e-wallets that will significantly reduce payment friction related to intra-Asean tourism. Such e-wallets can expand and enhance cross-border e-commerce opportunities, especially for the large segment of unbanked citizens and small businesses in Asean.

While super apps may attract us with the wide array of features offered, should we also be concerned that they might eventually dominate the e-commerce landscape to such an extent that they might impair competition in the digital marketplace?

For example, a super app that has a dominant position in one market may offer its consumers bundled discounts – discounts for using the same app for more than one type of service – in order to encourage its users in this market to also use its

app for other services in different markets.

If the super app successfully attracts a large enough number of such consumers to use it for services in other markets due to the bundled discounts, the resultant “network effects” may compel businesses in other markets to use that super app to access their consumers. If other apps without the market power are unable to replicate such strategies, would businesses ultimately be forced to list on these dominant platforms or to use their payment services exclusively? Super apps that utilise such exclusionary conduct to sustain their dominance after driving out competitors may, subsequently, be able to charge higher fees from businesses and consumers that transact on their platforms, raising the costs of cross-border trade for everyone.

Without facing robust competition, developers of super apps may not be incentivised to engage in continuous product innovation unless the legal and regulatory environment ensures the market remains contestable, systems remain open and interoperable, and pricing practices remain transparent.

This would suggest that super apps need careful monitoring by the competition authorities.

## ROLE OF COMPETITION LAW AND POLICY

This is where competition law and policy can play a role to facilitate e-commerce growth.

In 2018, the acquisition of American ride-hailing platform Uber’s South-east Asian operations by Grab showed how quickly a merger of online players could be completed and made irreversible.

The Competition and Consumer Commission of Singapore (CCCS) was quick to act on the merger, imposing fines on the merger parties for the irreversible harm to competition between ride-hailing platforms. It also imposed directions on the parties to restore market contestability and encourage new entry.

The market saw the entry of Gojek a few months later.

In an earlier case involving interoperability, the CCCS worked with a payment service provider to remove restrictions that prevented merchants from accepting other payment cards on common payment terminals.

There are other risky behaviours in e-commerce by businesses that merit the competition authority’s attention.

One example is online price comparison platforms, as well as customer reviews and rating systems. These enhance consumers’ ability to make informed choices and intensify price competition between online sellers.

Unfortunately, misleading pricing practices are common, such as drip pricing (adding extras at the end of the transaction, often in a not very transparent manner – for example, adding the cost of travel insurance to a flight ticket). Another example is false time-limited discounts, giving consumers the impression an offer is about to expire in a few minutes.

Such practices thwart consumers’ ability and efforts to make informed purchasing decisions, and in turn impede the ability of honest businesses to compete on a level playing field. The CCCS is developing a set of guidelines on price transparency to address this issue.

## COOPERATION AMONG ASEAN COMPETITION AUTHORITIES

The cross-border nature of e-commerce platforms may pose enforcement challenges to the competition authorities as some e-commerce websites may target domestic consumers but have limited physical presence domestically.

This highlights the importance of regional cooperation among the competition authorities to achieve effective competition enforcement. The competition authorities in Asean have already begun to work together on common challenges.

For example, the CCCS cooperated with Malaysia, the Philippines and Vietnam on the Grab-Uber merger, sharing non-confidential information.

Memorandums of understanding (MOUs) between Asean competition authorities can help to facilitate enforcement cooperation. The CCCS has signed an MOU with the Indonesian Competition Commission to encourage notification of enforcement activities that potentially affect each other’s interests, facilitate the exchange of information between the agencies, and support enforcement coordination in cases of mutual interest.

Asean member states are also taking important steps to bridge digital divides through the Asean Digital Integration Framework, to facilitate digital trade and innovation, while enabling seamless digital payments.

As competition can also be affected by government policies and regulations, the authorities need to understand how their actions might have an impact on competition and market access. The competition authorities can play the role of advising other government agencies on their policies on e-commerce markets to avoid any unintended anti-competitive effects.

For example, in developing the physical infrastructure necessary to support e-commerce in Singapore, the government-initiated Locker Alliance adopted an open access delivery network comprising parcel lockers and collection points to enable consumers to collect parcels at their convenience. An open and interoperable system helps to prevent any player from taking advantage of their market positions to exclude their rivals from using this national infrastructure.

Another issue where government decisions affect competition in e-commerce is data portability.

Empowering consumers with greater control over their data can support the growth of the digital economy and trade, as it allows consumers to get and reuse their personal information for different services. For example, they won’t have to create a new account for every online shopping experience from a different website, but can use one.

Recognising this, the CCCS collaborated with the Personal Data Protection Commission to study data portability and how it can be introduced to support a digital economy.

These ongoing discussions with different regulators ensure that various issues that could affect e-commerce development are concurrently monitored and, hopefully, addressed.

E-commerce will play an increasingly significant role in the way Asean nationals consume goods and services, and will continue to be a key front for Asean economic integration.

For Asean to fulfil its e-commerce growth potential, competition law and policy can be deployed as a regulatory tool to facilitate the development of a vibrant digital ecosystem for the benefit of both businesses and consumers across the region.

Whether regulating super apps, online shopping practices, or vetting internal government rules, the competition authorities can play a significant role in ensuring that the digital economy is open to competition and conducive to boosting Asean’s growth.

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