

## Empowering women-led MSMEs to engage in cross-border e-commerce trade through RCEP

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The Regional Comprehensive Economic Partnership (RCEP), which entered into force on January 1, 2022, is a mega free trade agreement (FTA). It is considered as the largest free trade deal in the world and envisioned to boost the recovery efforts of its 15 signatories—10 Association of Southeast Asian Nations (ASEAN) member-states, Australia, China, Japan, New Zealand, and South Korea—from the economic fallout of the coronavirus disease 2019 (COVID-19) pandemic. Although the Philippines is yet to ratify the RCEP, Trade Secretary Ramon M. Lopez expressed optimism that the Senate will eventually concur with its ratification. He also emphasized that RCEP is a very important trade agreement and crucial in enhancing the conducive business environment in the country. According to Secretary Lopez, RCEP presents a wider market opportunity for investors and complements the ongoing legislative and economic reforms in the country (DTI 2022).

Moreover, RCEP takes into consideration changing and emerging trade realities, including the proliferation of electronic commerce (e-commerce) and the

### Salient Points:

- *The COVID-19 pandemic has accelerated e-commerce adoption among women-led micro, small, and medium enterprises (WoMSMEs).*
- *Many WoMSMEs established their businesses in 2020 and 2021 and mostly on social media sites (Facebook, Instagram) and e-commerce platforms (Shopee, Lazada). These e-commerce adopters are fairly young (18–25 years old), have college degrees, and have adequate knowledge in information and communications technology to run an e-commerce business.*
- *E-commerce adoption has substantially enhanced WoMSMEs' performance, especially in terms of sales growth, customer base, customer satisfaction, and process enhancement.*
- *WoMSMEs have a high propensity for cross-border e-commerce trade, including opportunities under the Regional Comprehensive Economic Partnership (RCEP).*

underexplored potential of micro, small, and medium enterprises (MSMEs). Chapters 12 and 14 of the RCEP recognize the (1) importance of e-commerce in fostering economic growth and opportunities in the region and (2) contributions of MSMEs to economic growth, employment, and innovation. Together, these emerging trade areas enable businesses to take advantage of increasing globalization and the creation of new supply chain linkages.

This *Policy Note* presents a gendered perspective on the impact of e-commerce adoption on the performance of women-led MSMEs (WoMSMEs) in Metro Manila and their propensity to engage in cross-border e-commerce trade once RCEP is in effect. The findings are based on a pilot survey conducted from September 28 to October 12, 2021, involving 486 Metro Manila-based WoMSMEs engaged in e-commerce (Bacasmás et al. 2022).

### **COVID-19 pandemic and WoMSMEs**

MSMEs have borne the brunt of the economic fallout caused by the COVID-19 pandemic. WoMSMEs have been particularly vulnerable to the economic impacts of COVID-19 because most of them are in the informal sector and lack access to resources to keep their businesses afloat.

Nonetheless, WoMSMEs stand to benefit substantially from e-commerce as platforms increase their access to the digital economy and cross-border trade. The implications for trade policy regarding WoMSMEs and e-commerce are paramount given the growing share of women entrepreneurs in the MSME sector in the Philippines. They may also play crucial roles in the Philippines' efforts to recover from the crisis through cross-border trade through RCEP.

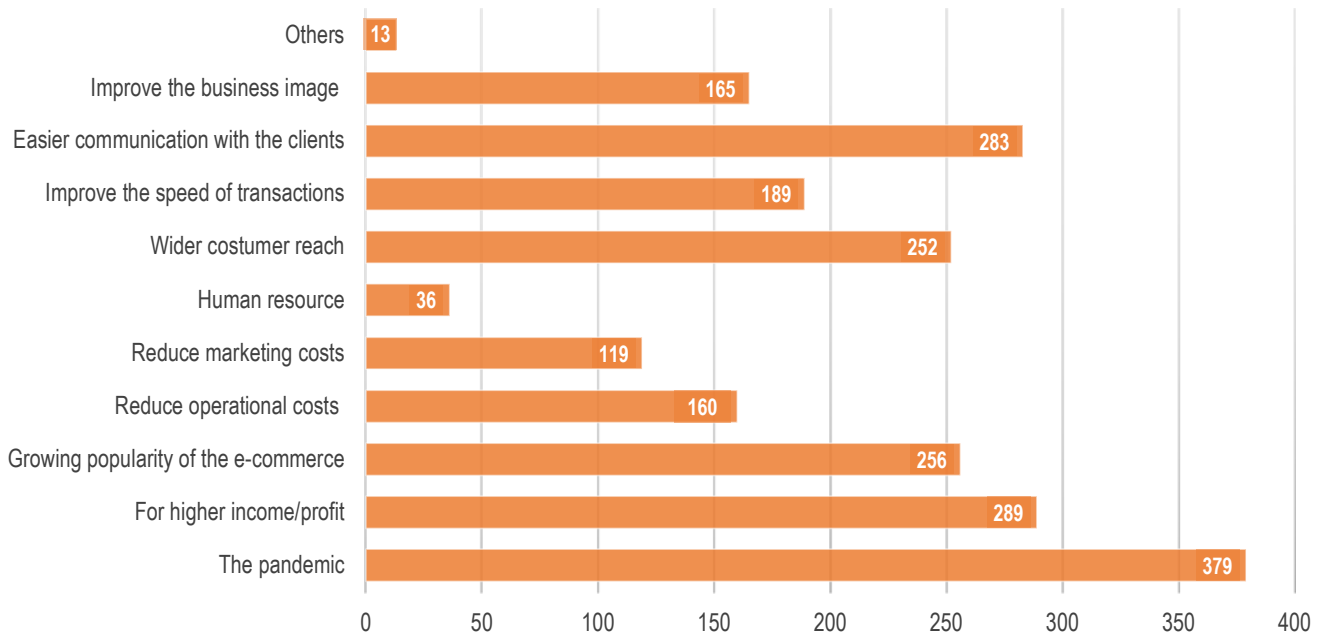
### **E-commerce adoption by WoMSMEs**

The COVID-19 pandemic and the subsequent lockdowns have impacted people's mobility, giving rise to e-commerce globally. In the Philippines, consumers have become more comfortable buying goods and services online. However, despite being highly connected to the worldwide web, Filipinos have not been quick adopters of e-commerce (Masigan 2020). Even at the outset of the pandemic, statistics show that only 2 percent of Filipino netizens have purchased goods or services online, compared to 10 percent in Thailand, 9 percent in Hong Kong and Taiwan, 6 percent in Viet Nam, 5 percent in Singapore and Indonesia, and 4 percent in Malaysia (Masigan 2020). In 2021, e-commerce adoption among Filipinos is projected to reach around 80 percent of internet users aged 16 to 64, from 76 percent in 2020. This figure puts the Philippines above the global average of almost 77 percent (Chua 2021).

Meanwhile, results of the survey conducted by the authors showed that many WoMSMEs established their businesses at the height of the COVID-19 pandemic (43.62% in 2020 and 30.86% in 2021). The pandemic was also the most cited reason for adopting e-commerce (77.7%), followed by higher profit (59.2%), ease in communication (58%), growing popularity of e-commerce platforms (52.%), and wider customer reach (51.6%) (Figure 1).

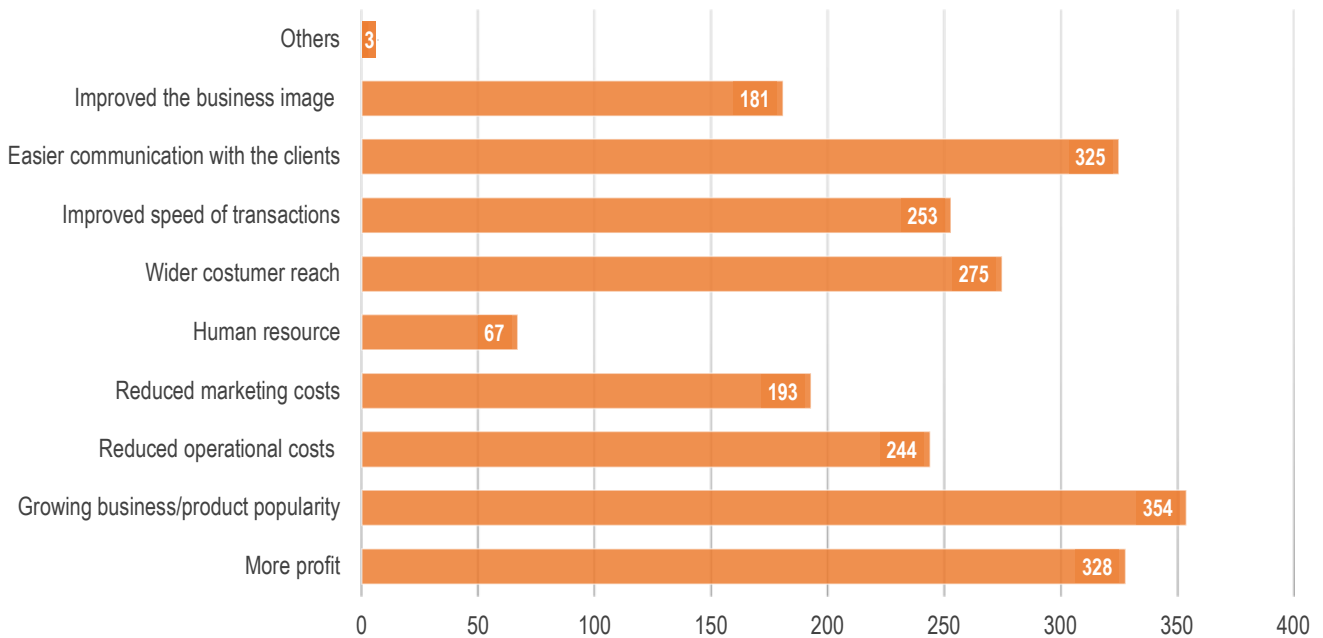
Meanwhile, e-commerce adoption has substantially enhanced their performance through increased business/product popularity (72%); increased profit (67.2%); and easier communication with clients (66.6%) (Figure 4). Overall, majority of WoMSMEs have found positive impacts of e-commerce adoption on their business, particularly on sales growth, customer base, customer satisfaction, and process enhancement (Figure 2).

**Figure 1. E-commerce adoption motivation for WoMSMEs**



WoMSMEs = women-led micro, small, and medium enterprises  
Source: Pilot survey conducted by Bacasmas et al. (2022)

**Figure 2. Biggest gains of WoMSMEs in e-commerce adoption**



WoMSMEs = women-led micro, small, and medium enterprises  
Source: Pilot survey conducted by Bacasmas et al. (2022)

The perception of safety afforded by digital platforms likewise appears promising. All respondents feel safe transacting online: 74 percent feel *safe or very safe*, while 25 percent gave a *neutral* response. Most WoMSMEs engaged in e-commerce never experienced gender-based harassment and discrimination (90.5%) and cyberbullying (96.7%). However, those who experienced gender-based harassment while engaging in e-commerce said they received unwanted sexual attention on chat messages and posts and during client meet-ups, with gender-stereotyping as the most prevalent. Some were also catcalled and contacted through their personal (not business-related) numbers by their couriers and customers.

Perceptions of safety and security are important considerations for e-commerce adoption, especially since this has been identified as a barrier for WoMSMEs in the related literature. For instance, Karr et al. (2020) posited that promoting the digitalization of WoMSMEs can help address several economic challenges posed by the COVID-19 crisis. However, the process of

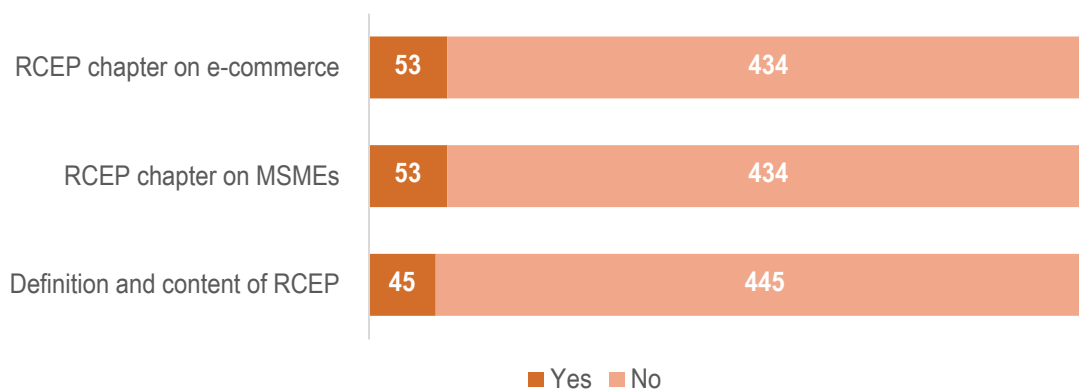
adopting new digital approaches to selling does not come without risks. Despite the clear benefits, it is crucial to recognize the complex challenges that digitalization presents, such as (1) cybersecurity and data privacy concerns, (2) exposure to digital fraud, (3) online misinformation, (4) asymmetric market power and platform dominance, and (5) persistent digital divide and infrastructure-related issues.

### RCEP and cross-border trade of WoMSMEs

Against the backdrop of the COVID-19 pandemic, the case for fast-tracking RCEP's full implementation has grown stronger than ever. However, the results show that almost all WoMSMEs in Metro Manila are not aware of RCEP and its chapters on MSMEs and e-commerce at the time of the survey (Figure 3).

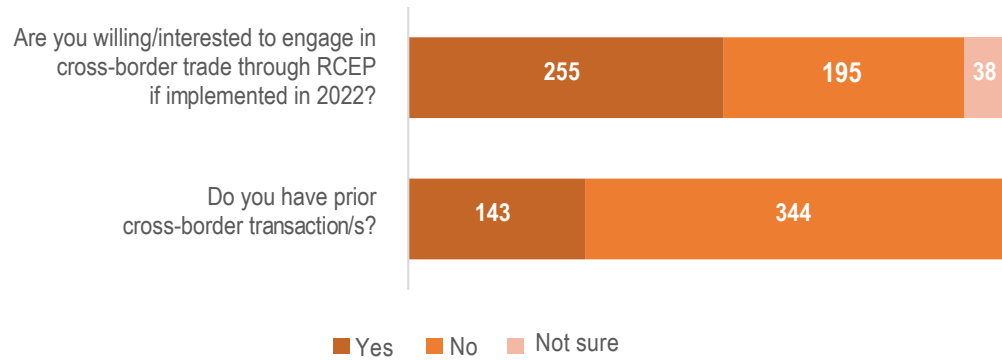
Meanwhile, Figure 4 reveals that 70 percent of respondents lack experience in cross-border trade. However, after reading a short description of RCEP and its relevant chapters in the questionnaire, respondents manifested a strong interest to engage in cross-border trade under RCEP.

**Figure 3. Awareness of WoMSMEs on RCEP and its chapters**



MSMEs = micro, small, and medium enterprises; WoMSMEs = women-led MSMEs; RCEP = Regional Comprehensive Economic Partnership  
 Note: Data are as of October 12, 2021.  
 Source: Pilot survey conducted by Bacasmas et al. (2022)

Figure 4. WoMSMEs and cross-border transactions



WoMSMEs = women-led micro, small, and medium enterprises; RCEP = Regional Comprehensive Economic Partnership

Note: Data are as of October 12, 2021.

Source: Pilot survey conducted by Bacasmas et al. (2022)

Given this interest, WoMSMEs identified the following provisions under the MSME chapter of RCEP as most significant to their businesses: (1) more information on trade and investment-related laws and regulations for export-oriented MSMEs, (2) enhanced access to business-related information that may be useful to export-oriented MSMEs, and (3) enhanced entrepreneurial programs for MSMEs. Relating to the provisions under the e-commerce chapter, they identified the following as most significant to them: (1) acceptance of electronic business transaction documents in online cross-border transactions, (2) protection of customers of online businesses from fraudulent or misleading practices, and (3) protection of online personal information of users of e-commerce.

Notably, WoMSMEs' preferred export/import markets within RCEP are ASEAN countries, South Korea, and Japan. This is likely due to the proximity of these countries to the Philippines and the types of products

they are selling. As cited by multiple respondents who engage in cross-border trade, the merchandise and cosmetics they sell are imported from South Korea and Japan. Thus, more information dissemination on the process, benefits, and assistance in doing cross-border trade with these countries can encourage WoMSMEs to capitalize on the preferences afforded by RCEP.

On the level of awareness about cross-border trade, two interrelated findings have emerged from this study: (1) WoMSMEs generally lack awareness of the government programs on MSMEs and e-commerce and (2) most are not registered with the Department of Trade and Industry (DTI) (51%). This finding could be the reason for the low level of awareness among WoMSMEs on cross-border trade. Likewise, over 90 percent said they do not know any government program that helps businesses adopt e-commerce or assist WoMSMEs in their quest to access the global digital economy.

Lastly, WoMSMEs cited lack of education on the benefits of cross-border trade and taxation, difficulty to contact government agencies, overwhelming number of requirements, and long processing time as main reasons for their apprehensions to register their business. They also express their desire for the government to provide additional capacity-building and training programs, more user-friendly digital platforms for information dissemination, and greater access to financial assistance.

Aidis et al. (2020) estimated that 20 percent of all e-commerce will be comprised of cross-border activities by 2022. The authors shared the optimism of DTI (2021) that RCEP will not only facilitate the recovery efforts in the Philippines but will also pave the way for the internationalization and deeper participation of MSMEs in global value chains. As this study revealed, a high propensity for cross-border e-commerce, fostered by an enabling policy environment that supports e-commerce adoption and growth, may potentially heighten the participation of WoMSMEs in regional trade and global value chains.

### **Policy options and recommendations**

#### *Disaggregate data on WoMSMEs*

Gender-specific data in cross-border e-commerce participation, which are critical for targeting support to overcome the hurdles women-owned businesses face, are still nascent. Gender-disaggregated data will help identify specific challenges and barriers to e-commerce adoption and possible policy interventions.

In addition, having an accessible government-managed database would allow think tanks, academe, and private organizations to undertake research on emerging issue areas, such as cybersecurity, data privacy, cross-border flows of data, and e-commerce and taxation.

#### *Invest in further research focused on USAID and APEC's Women-owned Businesses in Cross-border E-commerce: A Diagnostic Toolkit*

As a member of the APEC, the Philippines may consider using this toolkit to better survey the policy environment of the country toward promoting WoMSMEs' participation in cross-border trade. This diagnostic toolkit aims to help the APEC community understand better the challenges to competitiveness and growth of women-owned e-commerce businesses when trading within economies and across borders and assess its own support for these businesses (Aidis et al. 2020). This survey may also be undertaken as a regional initiative to gauge the region's business climate and inform regional strategies to foster WoMSMEs' global competitiveness. Research using this toolkit may be further expanded to include intersectional analyses targeting the status, opportunities, and challenges faced by different subgroups of women entrepreneurs, including women with disabilities and those from indigenous groups.

#### *Conduct a nationwide survey on WoMSMEs and their e-commerce adoption and propensity to engage in cross-border e-commerce through RCEP*

Expanding the geographic scope of the survey to include other regions may effectively provide a better understanding of the experiences and impacts of

e-commerce adoption on the business and performance of WoMSMEs. The survey may likewise include questions on factors to consider in gauging the readiness of WoMSMEs to participate in cross-border trade through RCEP. The *Philippine Exports Guidebook 2018* (DTI-EMB 2018) may serve as a reference in formulating questions relating to registration and compliances, production capacity, financial soundness, manpower, legal arrangements, and expansion potential. This may substantially contribute to the formulation of future national development plans encompassing e-commerce and MSMEs and national strategies on advancing internationalization efforts through cross-border trade participation via FTAs, such as RCEP.

#### ***Raise the level of awareness among WoMSMEs on RCEP and relevant government programs***

This may be addressed through the inclusion of targeted information drives, awareness-raising activities, and capacity-building programs for WoMSMEs in the implementation of development blueprints or strategies, RCEP, as well as other future FTAs. It is also important for the next administration to recognize WoMSMEs' significance in the Philippine Development Plan beyond 2022 through concrete action plans and frameworks. Concerned government agencies, such as the DTI and Department of Information and Communications Technology, may consider using social media platforms to disseminate relevant and simplified information concerning RCEP, as well as opportunities and accompanying risks, and develop an online information hub for MSMEs who wish to participate in cross-border trade.

#### ***Strengthen government programs to promote e-commerce adoption and internalization among WoMSMEs***

Results show that the adoption of e-commerce has been hastened by the COVID-19 pandemic. Hence, WoMSMEs perceive the pandemic as a boon to their business, especially in terms of sales growth, customer base, customer satisfaction, and process enhancement. Meanwhile, e-commerce adopters are fairly young (18–25 years old), have college degrees, and have adequate knowledge in information and communications technology (ICT) to run an e-commerce business. Hence, DTI, through the E-commerce Promotion Council, may launch programs and initiatives seeking to promote higher uptake of e-commerce among the following cohorts: (1) below 18 years old and older than 25 years old, (2) individuals and women leaders in MSMEs with only primary and secondary schooling, and (3) WoMSMEs with insufficient ICT skills. The role of the private sector will be paramount in realizing this undertaking. Further, the National Development Council and the Philippine Innovative Startup Fund may serve as financing mechanisms to catalyze investments in e-commerce innovation and support the internationalization goals of WoMSMEs.

WoMSMEs tend to benefit substantially from e-commerce and cross-border trade. However, certain constraints—inherent to MSMEs and women—continue to hinder them from capitalizing on their gains. Therefore, the implications for trade policy with specific regard to women and e-commerce are important given the growing share of female entrepreneurs in the MSME sector in the Philippines and the crucial role they play in the Philippines' efforts to recover from the crisis through the RCEP.

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