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Realizing the Potential of the Sharing Economy in Asia

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The sharing economy, also known as the gig economy or peer economy, is comprised of technology-driven services that largely enable peer-to-peer commerce. Users of such services are familiar with ride-sharing applications like Uber or Lyft and hospitality-sharing applications like Airbnb. But new sharing services emerge every day. Almost every major city now has a variety of bike-sharing services, car-sharing services, and even clothing-sharing services. While the sharing economy has the potential to compete with existing industries, like taxiing, it also has the potential to serve a complementary role to others. Sharing services are likely to benefit agents and consumers of these services alike.

In Asia, however, the sharing economy is being met with a patch-work of interference both on the provincial and national levels. Even in the U.S., services like Airbnb and Uber have differing regulatory hurdles depending on the city in which they are investing. Therefore, consumers are restricted from accessing these new services. Moreover, these companies face difficulties in countries where local lawmakers favor domestic companies over U.S. and foreign competitors.

The U.S. should promote innovation throughout Asia and act to reduce barriers for the sharing economy. The sharing economy's growth owes much to limited regulations and low start-up costs. The U.S. should keep in mind the potential of data-driven and sharing-economy-type services as it aims to modernize trade and investment agreements to include provisions on digital trade. In order to foster competition-led growth, U.S. officials should encourage Asian lawmakers who favor indigenous companies to avoid regulating competitive start-ups and instead to favor deregulation. Consumers, not uncompetitive industries, should benefit.

The New Services

Sharing services typically emerge in connected areas from an underutilization of capital. For example, most cars sit idle 95 percent of the time.[1] Tech-driven and user-accessible, these services have grown with the proliferation of the Internet and smartphones. The excess and underuse of capital that exists includes anything from capital goods like cars or bicycles to human capital. Sharing services tend to be more successful in highly populated communities. A strong presence of tech-savvy, young adults drives faster demand for new services, allowing sharing services to enjoy economies of scale.

- Uber and Lyft allow for vehicle ride-sharing.
- Airbnb is a hospitability-sharing service that allows homeowners to rent out their property.
- Rover makes available room-and-board for canine companions.
- Capital Bikeshare and LimeBike are bicycle-sharing services.

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- UberEats, a company of Uber Technologies, and Grubhub combine ride-sharing with online food delivery.
- TaskRabbit, recently purchased by IKEA Group, is a freelance labor-hiring platform.
- Dolly is a moving-truck-hiring service.
- Postmates delivers just about anything to the doorstep.

Clearly, the sharing economy is booming. Uber, founded less than 10 years ago, is worth around $70 billion.[2] Airbnb is worth $31 billion.[3] Lyft is worth $7.5 billion.[4] These three companies make up just part of the sharing economy which is projected to amass revenues alone of up to $335 billion by 2025.[5] In China, the domestic sharing economy has already reached $500 billion in 2016.[6] Chinese President Xi Jinping reaffirmed his commitment to build China as a leader in technology innovation by stating at the 2017 Asia-Pacific Economic Cooperation (APEC) CEO Summit, "The digital economy and the sharing economy are taking the world by storm…. We cannot afford to act like onlookers."[7] China's National Development and Reform Commission is willing to offer state support for domestic sharing services seeking to expand overseas.

Competing with state-supported competitors is just one hurdle for sharing services. Companies will also have to deal individually with natural barriers to entry as they enter new markets. For now, the sharing economy faces a number of regulatory hurdles. Requirements may include:

- Fare caps such as those in Indonesia or India;
- Limits on hours of operation such as in South Korea;
- Outright restrictions against private individuals as drivers such as in Japan or Taiwan; or
- Non-sharing-specific laws, such as China's National Cyber Law that requires companies to localize their data, are also costs that can restrict consumers' access to sharing services.

To increase their competitive edge, and perhaps to disperse regulatory costs, some ride-sharing services are looking to invest in, partner with, or even acquire competitors who might have tacit knowledge of local markets. Didi Chuxing, which bought Uber's China branch last year, is China's leading ride-sharing service. Already it has invested $25 million in India's ride-sharing service, Ola, and partnered with Japan's Softbank to invest upwards of $2 billion in Southeast Asia's largest competitor, Singapore's Grab. Didi has even invested $100 million in Uber's own domestic competitor, Lyft.

A variety of countries have seen sharing services halted or fined. Airbnb previously had trouble entering Japan's market. Legislation was recently passed in Japan's National Diet to allow services like Airbnb. Yet Airbnb hosts must still abide by a number of rules that might not otherwise be required elsewhere. Japanese Airbnb hosts must register with local authorities, are restricted from renting their property for more than 180 days a year, and must keep a list of registered guests. In China, guests are required to reg-

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2. Leila Abboud, "Uber Can't Be Warm and Cuddly and Worth $70 Billion," *Bloomberg*, September 28, 2017, https://www.bloomberg.com/gadfly/articles/2017-09-28/uber-can-t-be-warm-and-cuddly-and-worth-70-billion (accessed December 4, 2017).
3. Ibid.
4. Johana Bhuiyan, "Lyft Is Valued at $7.5 billion After Raising a $500 Million Round," Recode, April 6, 2017, https://www.recode.net/2017/4/6/15208672/lyft-value-ride-hail-funding-500-million (accessed December 4, 2017).
5. PWC, "The Sharing Economy," Consumer Intelligence Series, 2015, https://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/assets/pwc-cis-sharing-economy.pdf (accessed December 4, 2017).
6. Yue Wang, "Sharing Is Caring: China's Smartphone 'Share Economy' Is Booming," *Forbes*, May 31, 2017, https://www.forbes.com/sites/ywang/2017/05/31/sharing-is-caring-chinas-smartphone-share-economy-is-booming/#2401c3d72b07 (accessed December 4, 2017).
7. Viet Nam Da Nang, "10 Things President Xi Said," Asia-Pacific Economic Cooperation, November 12, 2017, https://www.apec.org/Press/Features/2017/1112_cn (accessed December 4, 2017).

ister with the local police. Airbnb China is required to keep records of users' passport information and conversations between the user and host that the Chinese government may access at any time. Still, Japan saw 5.4 million inbound Airbnb guests in 2017. China saw 2.5 million.[8]

Conclusion

As the demand for all services grows in Asia, and with only 53 percent of the total population in East Asia and the Pacific using the Internet, the sharing economy has yet to meet its full potential in Asia.[9] As the U.S. invests in the Indo-Pacific region, Congress and the Administration should:

- **Encourage further deregulation in Asian markets.** The U.S. should encourage lawmakers in Asian nations to deregulate service industries to allow them to compete with new innovative services. State leaders should also encourage provincial and city lawmakers to welcome innovation to avoid a patchwork of regulations.

- **Promote the sharing economy and other electronic commerce.** Growth of the sharing economy is accelerating and its potential benefits are substantial. The U.S. should encourage lawmakers in Asia to allow these services to compete as well.

- **Protect innovation when modernizing trade agreements.** As the U.S. looks to modernize its trade agreements and sign new agreements, it must keep in mind the potential of the sharing economy and that poor agreements may limit innovation.

The U.S. should encourage and collaborate with Asian countries to create an environment where entrepreneurs will want to innovate and companies can compete without fear of facing a patchwork of regulation.

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8. AirbnbCitizen, "Supporting Economic Opportunity and Sustainable Travel in Asia-Pacific," November 9, 2017, https://www.airbnbcitizen.com/supporting-economic-opportunity-and-sustainable-travel-in-asia-pacific/ (accessed December 4, 2017).
9. The World Bank, "Individuals Using the Internet (% of Population)," 2016, https://data.worldbank.org/indicator/IT.NET.USER.ZS (accessed December 4, 2017).