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ASEAN’s Digital Economy: Getting the House in Order

By Amalina Anuar

SYNOPSIS

ASEAN has been making strides to realise its digital ambitions. But are existing efforts enough and how can ASEAN move forward from here?

COMMENTARY

THAILAND’S ASEAN chairmanship in 2019 saw the kingdom laying down several blueprints to unleash the oft-touted US$240 billion potential of ASEAN’s digital economy. This included, among others, the Digital Integration Framework Action Plan (DIFAP).

This digital framework built upon last year’s dual ratification of the ASEAN e-Commerce Agreement and ASEAN Framework on Digital Data Governance (FDDG). As 2019 nears its close, what progress has ASEAN made so far in realising its digital ambitions, and how can the grouping move forward from here?

The House We Live In

For the digital economy, the importance of both physical and institutional infrastructure cannot be understated. So far, ASEAN member states have made unanimous commitments to providing and improving the quality of its information infrastructure.

Yet plans on getting institutional infrastructure right — specifically in balancing free cross-border data flows for growth and development, data security, and privacy — are still in the process of being fleshed out in the FDDG, though ASEAN recently held the inaugural ASEAN Data Protection and Privacy Forum.
Numerous data governance templates are circulating in the marketplace of ideas, from the European Union’s General Data Protection Regulation to the Asia-Pacific Economic Cooperation forum’s Cross-Border Privacy Rules. However, different data governance models prioritise different values and offer varied solutions on how to realise the same goals.

While Singapore has partnered with like-minded countries to negotiate multilateral digital trade rules at the World Trade Organisation (WTO), it remains to be seen whether the different positions taken by major economies can be reconciled.

ASEAN’s challenge then, lies in hitting the right notes for data governance in the ASEAN Economic Community — not only for intra-ASEAN digital growth, but also to meet the standards of its major economic partners due to its exposure to and integration with the rest of the world.

This dilemma is hardly unique to ASEAN. But ASEAN is uniquely positioned as a future digital growth engine and an appealing base for companies seeking shelter from the geo-economic rivalry between the United States and China. As such, ASEAN needs to accelerate its drive to hammer out a flexible, interoperable FDDG.

A House Divided

External risks are also looming over the fate of ASEAN’s digital economy, as both the physical and soft infrastructure of the future become geo-politicised. With regard to the prominent 5G question, for instance, ASEAN has in practice implemented technology neutrality (freedom to choose technology according to one’s own needs and requirements) for several reasons.

Using Huawei’s 5G technology is more cost-effective, especially if building upon existing Chinese-made 4G networks, and increasing vendor diversity could help to “avoid single points of failure”.

As of September 2019, the 5G landscape across ASEAN is varied. While several countries have started trialling Huawei technology, others such as Vietnam’s Viettel have abstained in lieu of Nokia, Ericsson and Samsung components — though its subsidiaries are working with Huawei elsewhere, such as in neighbouring Cambodia.

But in opting for neutrality, ASEAN must also prepare itself to deal with the consequences of its choices. Intense scrutiny on Washington’s part towards ASEAN technological networks and governance is probable, though the harshness of any direct policy towards ASEAN may be mediated by the US need for support in containing China’s multifaceted rise in the region.

Baseless Concerns?

Some of the concerns raised are not wholly baseless. 5G and future technologies will herald unprecedented connectivity — and thus the concomitant risks of not only economic and other espionage, but also network control by any capable actor.
To that end, ASEAN should beef up its offline and online security of the AEC’s critical infrastructure. Beyond ensuring the usual legal protection and physical safety, ASEAN must strengthen existing cybersecurity capabilities. Meanwhile, conventional practice generally sees soft commitments on cybersecurity within economic integration projects.

However, ASEAN could go against the grain and heighten cybersecurity for economic security by including such clauses in the DIFAP and building upon the cybersecurity initiatives found within the ASEAN Political-Security Community for better cross-pillar synergy.

Such actions would make inroads towards assuaging the concerns of ASEAN’s major economic partners, even though it is unlikely to completely abate digital security anxiety — especially if those concerns are a front in a broader strategic competition.

**House of Cards?**

Being enamoured of ASEAN’s potential should not lead to papering over other challenges either. The threat of exacerbated digital divides is ever-present. Pressure is mounting to ensure that the gains from both offline and online economies benefit all as part of an inclusive ASEAN.

For one, though ASEAN has essayed to heighten technology availability, technology has more often been used for social means rather than productive economic ends regionally. There is a need to better understand this trend and to equip ASEAN’s populations with digital empowerment skills so they can better harness digitalisation for their own socioeconomic benefit. Otherwise, DIFAP and broader AEC goals to broaden the digital talent base will not necessarily herald greater development.

Considering that small and medium-sized enterprises (SMEs) constitute the bulk of ASEAN’s economies, moreover, the rules governing the region’s economic spaces should be SME-friendly. This entails doing away with onerous regulations that do not achieve public policy goals, such as data localisation requirements for SMEs trading small shipments.

More broadly, any non-tariff measures should be assessed on their necessity and usefulness in bringing about the desired public policy impact to avoid non-tariff barriers being erected instead.

**House in Order**

Meanwhile, lowering the costs of innovation by providing microservices (basic digital building blocks, which all developers can use in digital applications, such as identity authentication or payments processing components) and open data could foster a more vibrant ecosystem. Plus, it would be particularly beneficial to fostering digital entrepreneurship — another DIFAP target — among smaller players.

The digital era promises both potential and predicaments. ASEAN could be set for a wild ride. Laying down the right foundations will not eliminate risks, especially those stemming from external tensions. It could, however, help ASEAN weather the
turbulence for a smoother journey. Getting the house in order vis-à-vis the digital economy must thus happen sooner rather than later.

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