



one vision
one identity
one community

STUDY ON THE ASEAN DIGITAL ECONOMY FRAMEWORK AGREEMENT

Prepared by the Boston Consulting Group, and supported by the Australian Government through the Australia for ASEAN Futures Economic and Connectivity

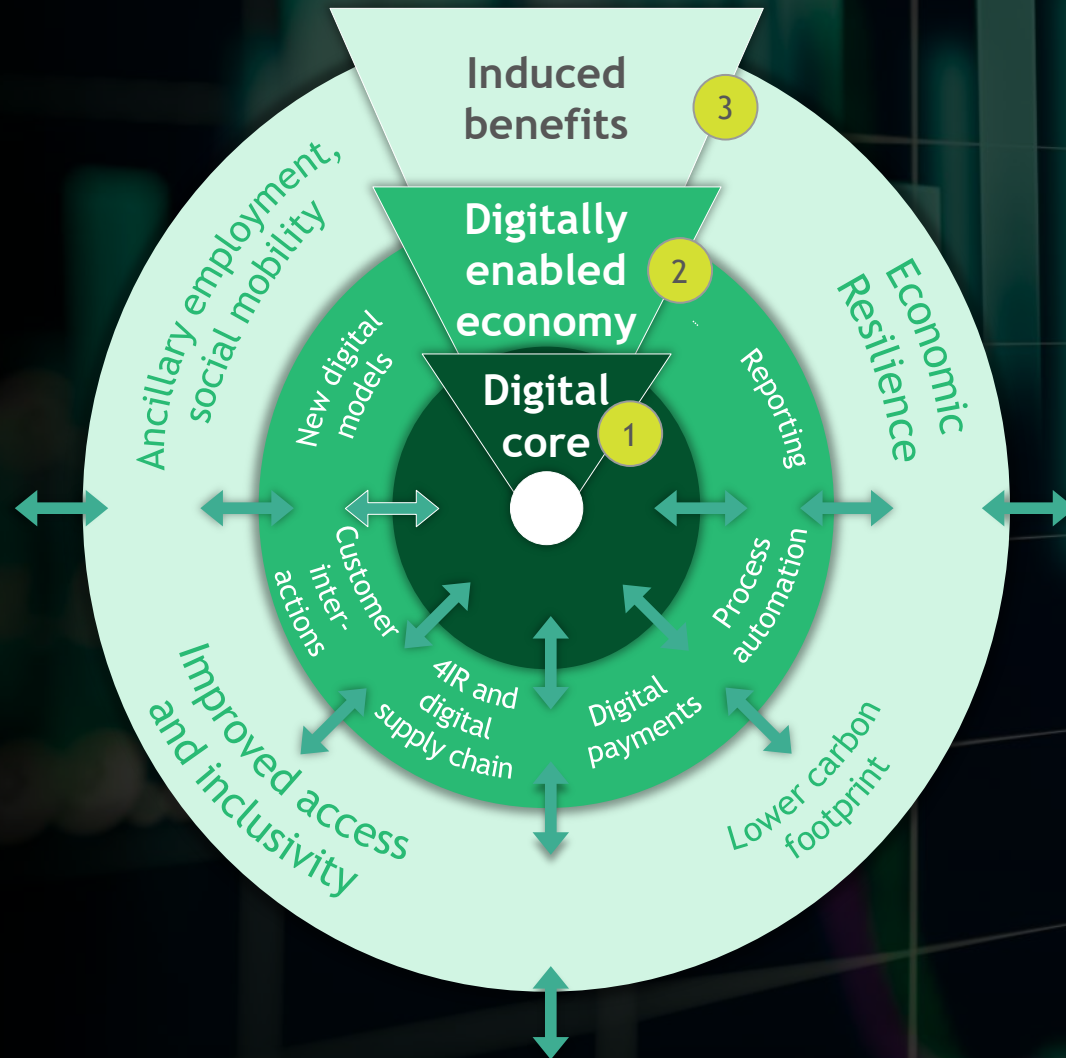
21 October 2023

ASEAN Digital Economy Framework Agreement

The ASEAN Digital Economy Framework Agreement (DEFA) aims to accelerate ASEAN's transformation into a leading digital economy, that fosters greater digital cooperation and paving the way for regional digital integration and inclusive growth and development.

Based on the consultants' understanding of ASEAN's strengths, current efforts on digital economy and consultation with private sector and member states, this study outlines elements that may inform the negotiation process ahead and served as basis for the launch of the negotiations in September 2023 on a without prejudice basis

The digital economy ecosystem is interconnected and multi-layered, with a multiplier effect on the broader economy



1

Uplift from core digital sectors i.e., hardware, software & services in telecommunications, information technology, emerging technologies, data and AI, DeepTech, and operational technologies

2

Uplift from digitalisation across other sectors from new digital business models e.g., e-commerce, fintech, agritech **and end to end digital use cases** i.e., digital customer interactions, payments, operations

3

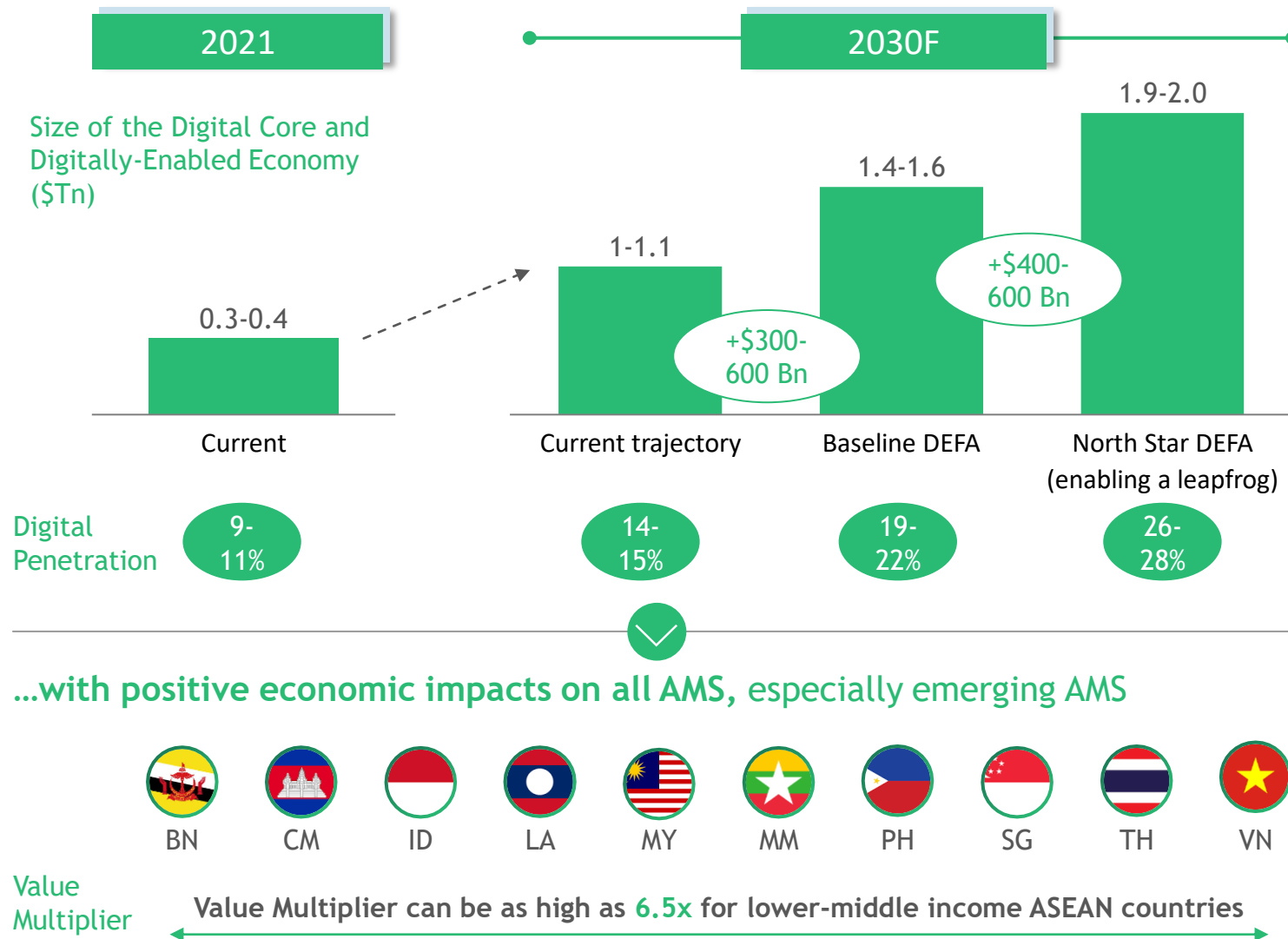
Non-economic activities and secondary benefits reliant on or significantly enhanced by digital e.g., social mobility, lower carbon footprint, improved resilience

Size of the Digital Core and Digitally-Enabled Economy

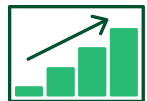
At current trajectory, ASEAN Digital Economy will **grow 3X to reach \$1Tn+** by 2030

Forward-looking and aspirational DEFA can **double the value of Digital Economy to ~\$2Tn**

A forward-looking and aspirational DEFA can grow the digital economy to ~\$2Tn by 2030...

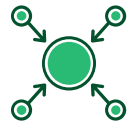


Massive additional benefits expected through digital economy - not all quantifiable, but highly valuable



Improved access and inclusivity

Digital technology has made it easier for people to access educational resources, access information and more effectively participate in civic life



Employment and social mobility

Digital adoption can create new jobs and income opportunities in rural communities, promoting poverty reduction



Improved resilience

Economies with high digital readiness showed better resiliency to crisis during COVID. This was especially true for ASEAN businesses/companies; highlighting the need for greater digital inclusivity



Positive climate impact

Estimates show, if brought to scale, digital technologies could potentially create \$12-30 Bn in social cost savings

5 guiding principles that informed the DEFA study

1

Impact first: Target big unlocks and barriers to drive impact, with a focus on bringing tangible impact for businesses and people in the region

2

Inclusive growth for ASEAN: Focus on growth for all ASEAN Member States with participation from businesses and citizens across income, sector, and gender groups

3

Build on progress made by ASEAN: Complement existing commitments and ongoing efforts

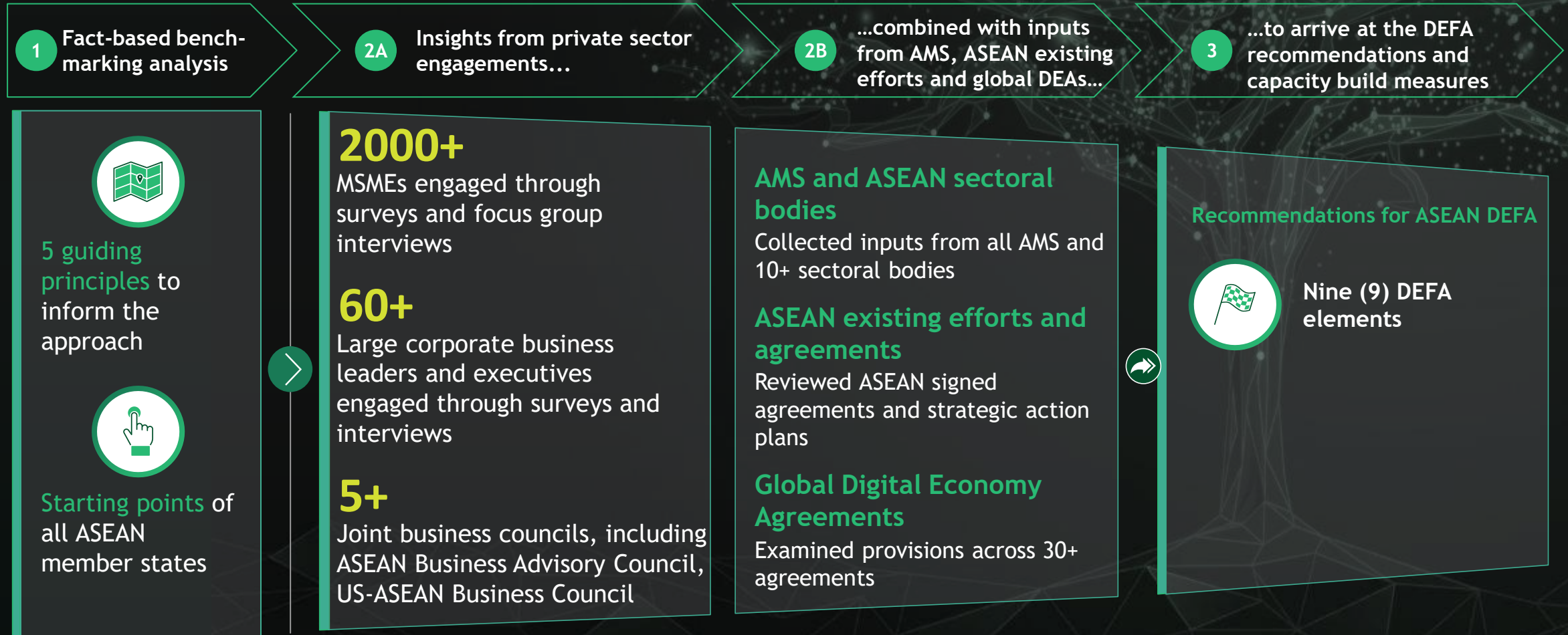
4

Forward-looking: Accommodate the changing digital environment & broader ASEAN ambition

5

Bring tangible benefits: Bring tangible benefits to businesses and people in the region by operationalizing use cases through concrete digital initiatives

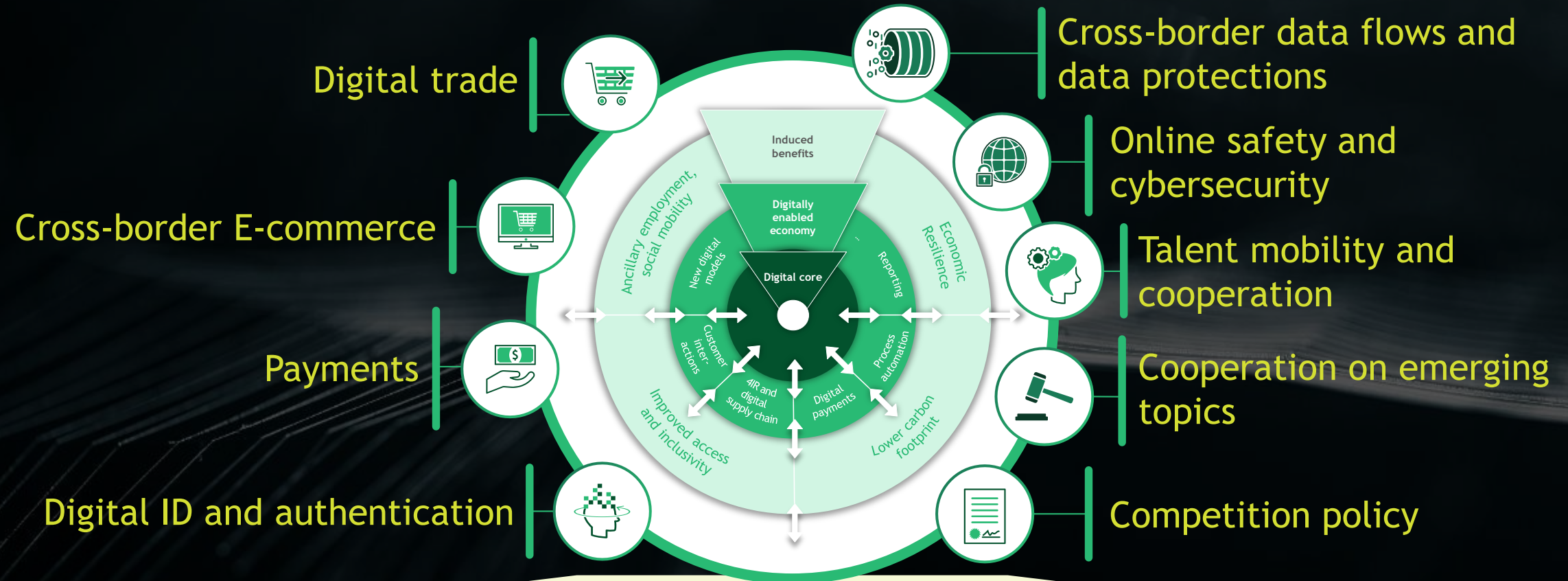
The DEFA recommendations were developed through an eight-month process including several rounds of private sector and public sector consultations



Nine (9) core DEFA elements endorsed without prejudice through various engagements

Descriptions follow from the next page

Core DEFA elements



Accelerating Growth

1

Digital trade

Aims to facilitate cross-border trade by creating a seamless trade experience with electronic documents and interoperable processes

2

Cross-border E-commerce



Aims to create a more efficient and fairer environment for cross-border e-commerce, including digital goods and services

Driving Interoperability across ASEAN

3

Payments and E-Invoicing



Aim to promote digital payments and electronic invoicing by fostering technical interoperability, encourage innovation and competition, and developing relevant regulation

4

Digital ID and Authentication



Aim to develop a mutual recognizable and interoperable digital identity and electronic authentication framework within the region



Key provisions to enable MSME participation in cross border digital economy

Ensuring responsible digital growth

5

Cross-border Data Flows and Data Protections

Aim to facilitate cross-border data flow and establish frameworks to protect data privacy

6

Online Safety and Cybersecurity

Aim to improve cooperation in cybersecurity and create an open and secure online environment, with comprehensive protection to parties in a digital transaction

Strengthening cooperation between nations

7

Cooperation on Emerging Topics

Aims to establish mechanisms for regulatory cooperation for relevant standards and regulations to keep up with technological innovations in emerging topics such as AI

8

Talent Mobility and Cooperation

Aim to facilitate digital talent mobility between countries and close collaboration on talent building

9

Competition Policy

Aims to create a fair/non-discriminatory, transparent competitive environment with consistent guidelines on enforcement and better choice for consumers

Nine (9) elements were endorsed without prejudice at the **55th AEM** and DEFA negotiations were launched at the **23rd ASEAN Economic Community (AEC) Council**.

Through the DEFA, ASEAN will be able to leverage the benefits of **regional complementarity**, promote **economic growth** and **drive opportunities** for a more **inclusive and safer** digital economy.

Next Steps:

Negotiations between ASEAN member states will formally begin in **December 2023**, with the target to conclude negotiations **by end 2025**.

DEFA will need to remain a living document that adapts to a constantly evolving socio-economic and technology landscape.

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