

ASEAN FOR BUSINESS

# Monthly Bulletin

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## In Focus: Study on the ASEAN Digital Economy Framework Agreement



### About the Bulletin

ASEAN for Business is a bulletin published by the Enterprise and Stakeholders Engagement Division of the ASEAN Secretariat.

This monthly bulletin provides quick updates on specific topics related to the ASEAN Economic Community (AEC) for businesses operating in the region.

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The recently launched e-Conomy SEA 2023 by Google, Temasek, and Bain & Company highlighted the opportunities of ASEAN's digital economy. It reported that the digital economy in six ASEAN Member States (AMS), namely Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam, is set to deliver USD 100 billion in revenue with growth of 27% CAGR since 2021 and Gross Merchandise Value (GMV) is expected to grow by 11% to USD 218 Billion in 2023.

To further strengthen digital economy in the region, ASEAN Leaders agreed to accelerate the negotiation of the ASEAN Digital Economic Framework Agreement (DEFA) at the 41<sup>st</sup> ASEAN Summit in 2022. Following this, the 23<sup>rd</sup> ASEAN Economic Community Council officially launched the negotiations in September 2023. The DEFA is expected to impact the region's more than 671,6 million population, 70-80% (adult population) of whom are active internet users and to offer compelling opportunities for businesses. Prior to the launch of the ASEAN DEFA negotiations, ASEAN Economic Ministers endorsed the Study on the ASEAN DEFA. The Study undertaken by the Boston Consulting Group (BCG) provided perspectives on Digital Economy in the region and estimated the potential benefits of a robust, forward-looking and effective DEFA. The highlights of the study are featured in the succeeding part of this bulletin.

## **Background and Objectives of the Study on the ASEAN DEFA**

The study on the ASEAN DEFA aims to establish a comprehensive and accurate understanding of the digital economy in ASEAN and its member states, and sizes the potential value which a DEFA can bring to the region by benchmarking on existing Digital Economy Agreements to identify best practices, uncover key priorities and gaps, and reviews ASEAN's current digital integration efforts. The study was commissioned by AMS, with the support from Australia for ASEAN Futures Initiative (Aus4ASEAN Futures). The study is intended to set the foundation for negotiating an effective and comprehensive DEFA in 2025, and to serve as a guide for future initiatives in the ASEAN digital economy.

The study on the ASEAN DEFA was conducted from January to August 2023 and included insights from desk research, survey and interviews that involved more than 2,000 MSMEs and 60 large corporate business leaders in ASEAN, and consultation with ASEAN Business Advisory Council, Joint Business Council, more than 10 ASEAN Sectoral Bodies, and all ASEAN Member States.

### **Identified Nine core DEFA Elements**

Without prejudice, the study identified nine core elements to be included in DEFA to enable ASEAN's open and connected digital economy. The nine core elements are:

- 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.
- 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.
- 5) **Cross-border Data Flows and Data Protection:** 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 digital transaction.
- 7) **Cooperation on Emerging Topics:** aims to establish mechanism 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 or non-discriminatory, transparent competitive environment with consistent guidelines on enforcement and better choice for consumers.

### **Next Step on DEFA**

The ASEAN Economic Community Council launched the negotiations on the ASEAN DEFA and endorsed the Framework for Negotiating DEFA, which will guide DEFA negotiations by exercising the objectives and principles of negotiations, examining the areas to be negotiated and sets out the negotiation process and timeline during the Meeting on 3 September 2023.

The ASEAN DEFA Negotiating Committee (NC) is chaired by Thailand and has the overall responsibility for negotiating the DEFA provisions based on the principles, process, and timeline identified in the Framework for Negotiating ASEAN DEFA. The first meeting of the ASEAN DEFA NC is scheduled on 1 December 2023. Subsequent meetings will be conducted in 2024 and 2025, with a view to conclude the ASEAN DEFA negotiations by 2025.

### **Impact of DEFA to Business**

The ASEAN DEFA is the first major regionwide digital economy agreement worldwide and aims to create a more predictable, inclusive, and competitive digital economy in the region. ASEAN invites businesses to regularly monitor developments of the DEFA negotiations to be able to capitalise on programs and incentives that may arise from the DEFA, or to anticipate any provision, such as on digital payment, cross-border data flow, and artificial intelligence that may impact on business operations in the region.

# 10<sup>th</sup> ASEAN ECONOMIC COMMUNITY DIALOGUE UNPACKING THE ASEAN DIGITAL ECONOMY FRAMEWORK AGREEMENT

30 NOVEMBER 2023 | 09.00 - 12.00 GMT+7

SHERATON GRAND JAKARTA GANDARIA CITY HOTEL | HYBRID



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## Special Feature: Borneo Business Roundtable Shapes IKN Nusantara as ASEAN's Green Economy Hub

The ASEAN Business Advisory Council (ASEAN-BAC) Indonesia, in collaboration with ASEAN-BAC Brunei Darussalam, hosted the Borneo Business Roundtable (BBR) 2023 meeting at the Sultan Hotel in Jakarta on Tuesday, September 5, 2023.

The Borneo Business Roundtable meeting brought together stakeholders from three ASEAN countries located on the island of Borneo, Indonesia, Malaysia, and Brunei Darussalam. The primary agenda of the meeting was to discuss concrete measures to enhance intra-Kalimantan trade and attract Foreign Direct Investment (FDI).

"It is an honor for me to stand before you today as we gather to discuss significant opportunities for our region, the evolving landscape of Kalimantan trade, and strengthening economic relations through collaboration," stated **Arsjad Rasjid, the Chair of ASEAN-BAC 2023**, during his opening remarks at the Borneo Business Roundtable meeting.

The Jakarta meeting marked the second occurrence of the Borneo Business Roundtable, following the highly successful first meeting in Bandar Seri Begawan, Brunei Darussalam, on April 28, 2023. In this second meeting, representatives from the three ASEAN nations in Kalimantan officially endorsed a Cooperation Statement aimed at establishing the Borneo Economic Community (BEC). This initiative is designed to promote joint strategies that will stimulate economic development in the Kalimantan area and encourage cross-border connections.

Meanwhile, **Chair of ASEAN-BAC Brunei Darussalam Haslina Taib explained** "The BEC aims to function as an inclusive and sustainability-driven business association for enterprises in Kalimantan and professionals in emerging fields, such as those involved in the gig economy, content creation, and remote work. This goal will be realized through various initiatives, including but not restricted to, marketplaces and programs designed to reduce entry barriers for Micro, Small, and Medium Enterprises (MSMEs), rural and social enterprises, as well as digital nomads and skilled individuals.

As an enterprise-driven initiative, BEC provides inclusive opportunities for businesses in Kalimantan.

"We remain committed to promoting regional sustainability within ASEAN, addressing business challenges on the island of Kalimantan, and enhancing collaboration, both within and beyond the borders of Kalimantan," Haslina explained.

### Enhancing Collaboration

Arsjad further elaborated that a collaborative task force consisting of BEC partner representatives would be established to enhance collaboration with coherent and aligned objectives in shaping a dynamic island, becoming the epicenter of Green Economy in ASEAN, built upon shared sustainable development goals for the well-being of communities, environmental preservation, and prosperity.

"Today's discussions will delve into critical topics, providing insights into Nusantara, Indonesia's visionary new capital city, set to be inaugurated in 2024, envisioning the possibilities this capital city holds for our neighboring countries and business communities," said Arsjad.

The Nusantara Capital City, the future capital of Indonesia, will be inaugurated on August 17, 2024, coinciding with Indonesia's 89th Independence Day. This new city will be developed as an inclusive, green and sustainable urban center, with over 75% of the administrative zones remaining green.

"For this reason, the Borneo Business Roundtable meeting will explore the opportunities arising from the relocation of Indonesia's capital to the Nusantara Capital City for neighboring countries and the business community, leading towards the establishment of a Green Economic Hub in ASEAN," Arsjad stated.

### Significant Potential

Arsjad stated Kalimantan as the largest Asian island and the world's third largest, with a population of about 24 million spread across three countries, Kalimantan presents substantial trade growth opportunities for Brunei Darussalam, Kalimantan Provinces, Labuan, Sabah, and Sarawak.

BEC's main objective is to advance Indonesia's ASEAN Centrality and continue the priorities and legacy projects of ASEAN Indonesia Year 2023 at the sub-regional level, including Digital Transformation, Sustainable Development, and Trade and Investment Facilitation, leveraging digital technology, among other areas.

Today, the registration of interest for DagangBorneo, a flagship initiative of BEC, was unveiled. This project serves as a cooperative digital marketplace platform for businesses, investors, digital professionals, and Kalimantan's government. Its objective is to promote trade facilitation and digitalization, improve the compatibility of regional connectivity systems, boost intra-ASEAN trade, and strengthen ASEAN's global trade standing.

"As leaders, CEOs, and stakeholders, we must create an environment of inclusive growth and borderless cooperation. I appreciate your commitment to BEC in this roundtable meeting. Today's discussions transcend economic aspirations. Kalimantan is becoming central to our lives and the legacy we pass on," Arsjad concluded.

**Article by:** ASEAN Business Advisory Council Brunei Darussalam

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