

ASEAN FOR BUSINESS MONTHLY BULLETIN

special edition



IN FOCUS

Shaping the ASEAN Digital Economy Framework: Insights from the Business Community



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 private sector is one of the key stakeholders of the ASEAN Digital Economy Framework Agreement (DEFA). DEFA is the first regionwide agreement that aims to create a more predictable, inclusive, and competitive digital economy in the region.

The study on ASEAN DEFA, commissioned by the ASEAN Economic Community (AEC) Pillar, identified nine core elements to be included in the agreement. These include: (1) Digital Trade, (2) Cross-border E-Commerce, (3) Payment and E-Invoicing, (4) Digital ID and Authentication, (5) Cross Border Data Flow and Data Protection, (6) Online Safety and Cybersecurity, (7) Cooperation on Emerging Topics, (8) Talent Mobility and Cooperation, (9) Competition Policy.

The provisions under these issues are expected to create programmes and incentives that businesses could capitalise on, and regulations that may impact existing business operations or models for tech companies or digitally enabled businesses.

Recognising the importance of involving the business community in the formulation of ASEAN DEFA, the ASEAN Secretariat with the support of Australia for ASEAN Futures – Economic and Connectivity (Aus4ASEAN ECON) and Tech for Good Institute organised the 10th AEC Dialogue to unpack the ASEAN DEFA key policy recommendations and gather business inputs to the agreement. The highlights of the business aspirations shared during the dialogue are featured in the succeeding part of this bulletin.



The 10th ASEAN Economic Community Dialogue

The 10th AEC Dialogue was attended by more than 600 business representatives from across 10 ASEAN Member States, multinational companies, and international organisations and forums, such as the United Nations Commission on International Trade Law (UNCITRAL), World Economic Forum (WEF), and Digital Cooperation Organization (DCO). The dialogue started with the introductory presentation on the ASEAN DEFA by the Chair of the DEFA Negotiating Committee and the Boston Consulting Group (BCG), the appointed consultant for the study on ASEAN DEFA. The dialogue also featured two panel discussions on the implications of the ASEAN DEFA to the region and the business sector's aspirations for the agreement.

The dialogue highlighted that DEFA is an opportunity to demonstrate to global stakeholders that cooperation is possible despite the diversity in the state of the digital economy in the region. ASEAN DEFA is expected to set ambitious goals of regional digital integration while also providing policy space for the agreement to be practical and feasible for all ASEAN Member States to implement. The business community suggested several recommendations, summarised as follows:

Summary of the recommendations and aspirations shared by the business community

- 1. The benefits of DEFA should be equitably distributed across all countries, sectors, and individuals.** DEFA is expected to not only benefit tech companies or digitally-enabled businesses, but also MSMEs and smaller players in a digital economy ecosystem in ASEAN. Therefore, DEFA should include provisions to empower individuals to have meaningful participation in the digital economy and access to sustainable and resilient livelihoods.

2. Rather than a prescriptive treaty, DEFA should strive to be a principle-based and outcome focused agreement. DEFA could be the basis for a framework for cooperation and interoperability, with ample policy space for ASEAN Member States to determine the governance approaches that best fit their respective local contexts. However, it is crucial for Member States to ensure that local laws and regulations support interoperability across borders, underpinned with clear principles, a common taxonomy and standard definitions.

3. DEFA should be evolving, forward-looking, agile and flexible enough to accommodate new technologies. While there are best practices from existing trade agreements, DEFA is an opportunity to build a digital-first agreement from the ground up. It is important for DEFA to be “future-proofed” and technology-neutral. This preserves DEFA’s relevance even when technological breakthroughs, new digital solutions or innovative business models disrupt the current landscape.

4. DEFA elements that are more developed and have the greatest impact can be the priority for cooperation initiatives. Harmonisation is not an “all-or-nothing” option for ASEAN. Instead, progressive alignment through a modular approach can be pursued. This means that not all countries or DEFA elements need to be at the same level of maturity before the framework agreement can be finalised. DEFA elements with clear pathways for alignment and the greatest potential impact should be prioritised for implementation. At the same time, nascent areas of the digital economy can be subject to principle-based collaborations. For example, progress has already been made in digital trade and logistics, such as the ASEAN Free Trade Agreement and Regional Comprehensive Economic Partnership. Negotiations can build on these existing trade agreements to shape the digital trade provisions under DEFA. On the other hand, ASEAN’s digital identity and authentication initiatives may need further conversation on cross-border recognition of digital identities. Still, ASEAN Member States can agree on common values and principles that would serve as the foundation of the policies.

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5. Trusted free flow of data is integral to DEFA’s goal of digital economic integration. Data is the backbone of the digital economy. Data flows are critical to realising digital integration and digital economy growth. A trusted free flow of data within the region is foundational to digital integration, making the region more attractive to global investors. However, data localisation laws and disparities in data governance regulations would dampen the potential for the free flow of data. To maintain trust in the digital economy, common frameworks, standards and principles for online safety, cybersecurity and personal data protection should be in place.

6. To foster an investable digital economy, DEFA should promote ease of doing business in Southeast Asia. Ease of doing business includes a level playing field for all, both large and small companies. The private sector noted that policy certainty enables growth as companies look to operate across multiple ASEAN Member States. The agreement should also ensure that provisions remain minimally restrictive, especially for digital trade and cross-border e-commerce.

7. DEFA should develop Southeast Asia's tech talent, including through capacity building and knowledge exchanges. Globally, digital talent is in high demand. ASEAN Member States have various capacities in nurturing digital talent, with some countries more mature than others. At the same time, all ASEAN Member States need to keep pace with innovation. Proper funding must be allocated to capacity building initiatives to foster knowledge-sharing and training sessions to bridge the skills and capacity gaps. These initiatives should include not only reskilling but also upskilling that would make it easier for the existing workforce to transition into jobs in the digital economy. In addition, capacity building for civil servants should not be overlooked. Public-private partnerships for technical assistance across the region were recommended, with several private sector participants offering support.

8. A transparent and consistent stakeholder consultation platform should be implemented throughout the DEFA negotiations. DEFA can lay the foundations for a future ASEAN with technologies, business models and use cases that are yet unknown. Much innovation is taking place in academia and the private sector, groups that have offered to share perspectives and expertise to support and inform the negotiation process. A multi-stakeholder and consultative approach to DEFA negotiations will ensure that specific provisions in the agreement will be fit-for-purpose, future-proof, responsive, responsible and flexible.

Disclaimer: This summary is built on the discussion during the 10th AEC Dialogue and written in collaboration between the Enterprise and Stakeholders Engagement Division at the ASEAN Secretariat with Tech for Good Institute.

Read the full report by Tech for Good Institute by scanning the QR Code below:

