The Quest Toward Developing an AI Governance in ASEAN

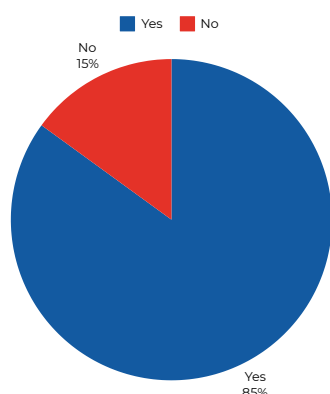## Insights from the 11th ASEAN Economic Community Dialogue

Artificial Intelligence (AI) is the discipline of creating intelligent machines capable of analytical reasoning, enabling organisations to operate effectively and with foresight. The current estimated value of the global AI market is USD 197 billion and projections indicate that it will reach USD 1.8 trillion by 2030, expanding at a compounded annual growth rate (CAGR) of 37.3% from 2023 to 2030.

In ASEAN, the advancement of AI technology has significantly transformed industries and societies as well. A report by Kearney mentioned that AI can potentially uplift ASEAN GDP by 10-18%, with a value up to USD 1 trillion, by 2030.
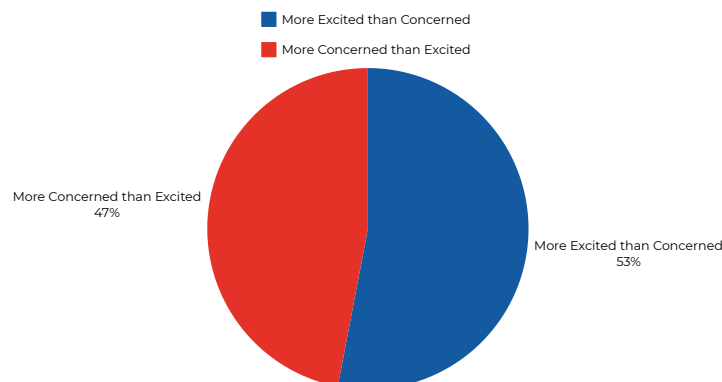
In the quest to unlock the full potential of AI while mitigating the accompanying risks, ASEAN endorsed the business-friendly ASEAN Guide for AI Governance and Ethics in February 2024. The ASEAN Secretariat also held the 11th ASEAN Economic Community (AEC) Dialogue with the theme "Governing and Unlocking the AI Opportunity in ASEAN" on 4 June 2024. With the support of the Economic Research Institute for ASEAN and East Asia (ERIA) and with Microsoft as a knowledge partner, the dialogue promoted the use of this Guide to the business community and discussed the desirable governance of AI from public and private sectors perspectives.

The dialogue was participated by more than 650 participants from across the region. A survey conducted during the dialogue revealed that 85% participants have utilised AI in their organisation (Figure 1). However, despite the high adoption rate of AI, 47% of the surveyed participants expressed that they were more concerned than excited about generative AI (Figure 2). Many factors could have contributed to their concerns, such as security risks, privacy issues, quality concerns, cost implications, compliance challenges, and responsible AI use. These highlight the need for effective AI governance to address these concerns and still allow the region to reap the full benefits of AI.

Figure 1. Have you utilised AI in your organisation?

Figure 2. How do you feel about Generative AI?

Data Source: 11th ASEAN Economic Community Dialogue polling survey, 4 June 2024

Exploring the Existing Governance Landscape on Artificial Intelligence

AI governance is key to building public trust. Meeting regulatory requirements and mitigating harmful risks will enhance consumer confidence in newly launched technologies or services powered by AI. It may likewise reduce complexity and enhance legal certainty, lowering regulatory risks and paving the way for more investment in AI innovation.

While AI governance is still in its nascent stage, the global AI governance landscape is complex and evolves rapidly. Governments across the world have issued several regulations. For example, the European Union (EU) has endorsed a rights-driven EU AI Act. At the same time, the United States (US) has adopted market-driven AI governance through the Advancing American AI Act of 2022 and the Artificial Intelligence Risk Management Framework in 2023. China's state-driven regulation is more detailed, addressing different applications and types of AI due to its vertical approach. OECD's AI Policy Observatory has recorded over 1,000 AI policy initiatives from 69 countries.

Six ASEAN Member States have issued their national policies on AI. Singapore has issued 25 governance initiatives, including the National AI Strategy and Model AI Governance Framework. Viet Nam, Thailand, Indonesia, Malaysia, and the Philippines have also developed their AI strategies. At the regional level, ASEAN Member States established the ASEAN Guide on AI Governance and Ethics and endorsed this at the 4th ASEAN Digital Ministers' Meeting on 1-2 February 2024 in Singapore. The Guide, which includes national and regional level recommendations, adopts a market-driven approach to balance the economic advantages of AI technology and its associated risks. During the 11th AEC Dialogue, the ASEAN Digital Senior Officials Meeting (ADGSOM) representative shared that ASEAN is forming a Working Group on AI Governance (WG-AI) to discuss pertinent issues related to governing AI and promote safe and responsible use of AI.

Despite efforts to strengthen regional AI governance, most ASEAN Member States have adopted a horizontal and soft regulatory approach, which is more voluntary. During the dialogue, the representatives of the Ministry of Communication and Information Technology (KOMINFO) of Indonesia and MyDigital Malaysia highlighted that this approach was taken as governments continue to learn about AI, particularly its scale and use in different sectors. ' ASEAN Member States' current efforts are focused primarily on mitigating AI's risks without hindering its potential development and contribution to the region.

KOMINFO Indonesia and MyDigital Malaysia likewise noted that the lack of technical capacity within governments is another challenge to regional AI governance. Government agencies need more understanding of complex and fast-evolving AI systems and have limited personnel with AI expertise. In view of these challenges, collaboration between government, industry, the research community, and relevant sectors is crucial to facilitate the cross-pollination of ideas and a healthy discourse on pioneering and proactive policies and technologies to create ideal conditions for responsible AI to flourish in the region.

Business Aspiration on AI Governance in ASEAN

During the 11th AEC dialogue, the business representatives highlighted the following recommendations

The application of principle-based regulation is suggested to provide space for innovation while ensuring compliance.

A principle-based regulation means compliance is not achieved by following a series of prescriptive rules but by applying the principles to how AI is developed and deployed. This approach was also applied in the General Data Protection Regulation (GDPR) in 2018, and it has been proven to elevate governance, monitoring, raising awareness, and strategic decision-making regarding the use of consumer data. Most global tech companies' privacy policies today follow the GDPR, and companies such as Apple, Google, Meta, and Microsoft offer GDPR protection to their global users. Considering the success of GDPR, ASEAN governments may use this as a reference for developing a similar principles-based regulation for AI. Since AI is still rapidly evolving, a principles-based approach will help ASEAN companies keep up with the pace of change and technological breakthroughs.

AI governance should ensure inclusivity.

ASEAN is a highly diverse region with varying socio-economic conditions, cultures, languages, and levels of technological advancement. AI regulation should be inclusive to ensure that policies are tailored to address the unique needs and challenges of each Member State and that AI does not discriminate against any social or gender groups in the region. Additionally, since AI systems are increasingly used to aid decision-making, there are concerns that outputs may perpetuate existing discriminatory effects or injustice on specific demographic groups if AI systems are not adequately managed. Therefore, AI governance shall ensure that the design, development, and deployment of AI shall align with inclusivity and equity principles.

An inclusive policymaking process is crucial in developing inclusive AI governance.

AI is developing rapidly, and information asymmetry between regulators and industry could slow down innovation. Therefore, transparent and continuous consultations with cross-stakeholders shall be implemented throughout the development of AI governance. The cross-stakeholder consultation shall include representatives from government agencies, the private sector -including big and small tech companies and academia, the general public, and particularly marginalised communities.

The development of AI governance should be transparent and open, allowing stakeholders to understand the decision-making process and provide input. These could be implemented through public consultation, workshops and forums, and online platforms. AI governance should be based on reliable data and evidence to ensure that decisions are made with the best and latest available information.

Way Forward

The ASEAN Working Group on AI Governance (WG-AI) is expanding the ASEAN Guide on AI Governance and Ethics to include a supplementary framework to address generative AI. This expanded Guide will look at the unique risks posed by generative AI and how the principles and framework in the existing Guide could be adapted to ensure responsible design, development, and deployment of generative AI. The expanded Guide will be presented for endorsement at the 5th ASEAN Digital Ministers Meeting in Thailand in January 2025. Additionally, ADGSOM is drafting the ASEAN Responsible AI Roadmap, set to be finalised in mid-2024, which will complement and enhance the ASEAN Guide on AI Governance and Ethics by providing actionable steps for ASEAN policymakers and stakeholders to create ideal conditions for responsible AI to flourish in the region.

These two instruments, developed by WG-AI and ADGSOM, could lay the foundation for future ASEAN governance on AI, covering the use of AI in technologies, new business models, and rapidly evolving and yet unknown cases of AI use. Many of these innovations are taking place in academia and businesses. Therefore, involving academia and the private sector will enable these groups to share perspectives and expertise to support and inform the development process of the supplementary framework and the roadmap. Convening a multi-stakeholder and consultative approach throughout the development of these instruments is essential to ensure that the framework will be forward-looking, business-friendly, and fit for purpose.

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Disclaimer: *This insight is built on the discussion during the 11th ASEAN Economic Community (AEC) Dialogue and written in collaboration between the Enterprise and Stakeholder Engagement Division and Digital Economy Division at the ASEAN Secretariat.*

RESPONSIBLE AI PROCUREMENT IN ASEAN

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Artificial intelligence (AI) is poised to transform the public sector in ASEAN by enhancing efficiency, productivity, and service delivery. Governments in the region are harnessing AI's potential to automate routine tasks, improve decision-making, and offer more personalized public services. For example, Singapore's AI-powered data fusion platform has significantly improved its mass transit system by predicting disruptions, while Malaysia has used intelligent automation to streamline public service delivery and enhance citizen satisfaction.

However, the rapid adoption of AI also brings significant challenges. Ethical dilemmas, data privacy concerns, and the risk of widening socio-economic inequalities are emerging issues that policymakers are looking to address, and governments are working to build trust in AI technologies by committing to responsible AI practices and engaging in transparent decision-making.

This article provides practical insights and recommendations for responsible AI procurement policies and practices that foster innovation, based on Microsoft's experience and expertise in AI and cloud technologies.

AI Procurement Policies and Practices in ASEAN

ASEAN is a diverse region with differing levels of digital maturity and AI readiness. Some countries, such as Singapore and Indonesia, have developed national AI strategies and frameworks that guide their public sector AI adoption and governance. Others, such as Malaysia and Thailand, have established dedicated agencies or initiatives to promote and coordinate AI development and use across sectors. However, there is no common or harmonized approach to AI procurement in the region.

Based on our recent white paper "Advancing Responsible AI Public Sector Procurement and Adoption in ASEAN", there are seven key areas that require action and attention from ASEAN policymakers looking to advance their AI procurement processes.

Advancing Responsible AI Procurement

Advancing responsible AI procurement and adoption is crucial for mitigating risks and fully realizing AI's benefits. ASEAN governments should develop and implement procurement principles, frameworks, and standards aligned with the ASEAN Guide on AI Governance and Ethics and other internationally accepted standards. These measures allow AI providers to be evaluated and selected while ensuring that the adopted solutions are both innovative and ethical.

Responsible AI procurement involves assessing the long-term impacts of AI solutions, including their potential to create or eliminate jobs, their effects on data privacy, and their overall contribution to societal well-being. Governments should also ensure that AI procurement processes are inclusive, considering various stakeholders' needs, including those of marginalized communities.

Flexible Budgeting Approaches

Traditional public procurement practices often fail to capture the long-term value of AI solutions. ASEAN governments are encouraged to adopt flexible and fit-for-purpose budgeting approaches that account for multi-year commitments, consumption-based pricing models, and supplementary costs for upskilling and support services. This flexibility will enable governments to balance innovation with fiscal responsibility.

Flexible budgeting approaches also mean preparing to invest in pilot projects and experimental AI applications. By doing so, governments can test the efficacy of AI solutions in real-world scenarios before committing to large-scale implementations. This iterative approach allows for adjustments and improvements based on practical insights.

Centralized Procurement Functions

Centralizing procurement functions can streamline AI procurement across public sector agencies. This approach can leverage economies of scale, reduce costs, and ensure the consistency and interoperability of AI solutions. A centralized procurement function can also facilitate better knowledge sharing and collaboration among agencies.

Consolidating expertise and resources in this manner allows governments to create centers of excellence that provide guidance and support for AI initiatives across different sectors. This centralized approach prevents efforts being duplicated and ensures that AI implementations align with national strategic goals.

Building Digital Skills

Procurement officers and decision-makers should be equipped with sufficient digital skills to identify and select suitable AI providers. Training programs, awareness campaigns, and knowledge-sharing initiatives are essential for building these competencies. This will enable public sector organizations to manage AI projects effectively and responsibly.

In addition to procurement officers, public sector employees at all levels should be familiarized with AI technologies. Comprehensive training programs should be developed to enhance digital literacy, focusing on the practical applications of AI in various public services. This broader understanding of AI will empower employees to utilize these technologies effectively in their day-to-day tasks, ultimately leading to more innovative and efficient public service delivery.

Addressing Practical Considerations

Addressing considerations such as data quality, privacy, security, transparency, and explainability of AI systems is crucial. Governments should consider publishing policies to guide responsible AI procurement, addressing issues like bias and discrimination, and establishing accountability mechanisms. Robust risk assessments, testing, and monitoring of AI systems are also necessary.

Engaging in dialogue with AI providers and other stakeholders is essential to understand and address the evolving challenges associated with AI use. Establishing AI "sandboxes" can provide a controlled environment for testing new AI solutions, ensuring they meet the necessary ethical and technical standards before being widely deployed. These sandboxes enable the secure testing of AI applications, helping to fine-tune and enhance AI systems based on real feedback.

Importance of Cloud Computing

Cloud computing is integral to AI services, providing the infrastructure and platform that they require to function. An enabling cloud policy environment is essential for AI adoption, as clear and consistent policies aligned with regional and international best practices encourage the use of cloud, and ultimately AI services.

Ensuring robust digital infrastructure and connectivity is also critical. Governments should invest in high-speed internet and reliable cloud services, particularly in remote and rural areas, to ensure that all regions can benefit from AI advancements. By doing so, they can bridge the digital divide and promote equitable access to AI technologies across their populations.

Regional Collaboration and Dialogue

The 11th ASEAN Economic Community Dialogue held in Jakarta in June 2024 highlighted the importance of coherent AI regulations and standards across the region. AI has the potential to significantly boost ASEAN's GDP, but this potential comes with risks that need to be mitigated through responsible AI practices. Continuous cross-stakeholder dialogue and collaboration are essential for developing a business-friendly AI governance framework that fosters innovation while ensuring responsible development.

The dialogue also emphasized the varying levels of AI readiness among ASEAN member states. While some countries like Singapore and Indonesia are making rapid advancements, others move slower due to limited technological capabilities and lower investment in AI research and development. Partnerships and trust-building in AI technologies are crucial for driving inclusive growth throughout ASEAN.

Conclusion

ASEAN governments should consider these seven key measures to fully unlock the full potential of AI. This will position them at the forefront of AI innovation, foster socio-economic growth, and improve the quality of life of its citizens.

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Authors' note: *The first draft of this article was created using Copilot for Microsoft 365.*

GOVERNING AI IN ASEAN: ENSURING INNOVATIVE TECHNOLOGIES ARE A FORCE FOR GOOD

Opinion Editorial by Tech for Good institute

Tech for Good Institute

TECH FOR GOOD INSTITUTE

The Tech for Good Institute is a non-profit organisation working to leverage the promise of technology and the digital economy for inclusive, equitable and sustainable growth in Southeast Asia. The Institute is seed funded by Grab, Southeast Asia's leading superapp.

The adoption of Artificial Intelligence (AI) across Southeast Asia is a monumental development that holds immense promise and potential risks. AI's productivity value is expected to provide a staggering 10 to 18 percent GDP uplift across the region by 2030, with estimates suggesting that AI could add a remarkable $1 trillion to ASEAN's GDP by the same year. However, amidst the opportunities presented by AI to the ASEAN digital landscape, there are also significant risks that cannot be ignored, such as disinformation, misinformation, cybersecurity attacks, deep fakes, and more.

Recognising the need for responsible AI development and deployment, ASEAN recently endorsed the ASEAN Guide on AI Governance and Ethics at the 4th ASEAN Digital Ministers' Meeting in Singapore. This guide, which includes recommendations at both national and regional levels, serves as a practical resource for organisations in the region that wish to design, develop, and deploy traditional AI technologies in commercial and non-military or dual-use applications.

In line with ASEAN's progressive move towards ensuring responsible AI practices in the region, distinguished experts on the panel provided valuable insights on leveraging opportunities and addressing challenges related to AI governance through effective policy tools, robust regulatory frameworks for AI development and deployment, and a clear definition of the role of governments in driving responsible AI practices within the ASEAN region and across jurisdictions.

Key Takeaways

ASEAN needs to enhance digital ecosystem governance to fully harness the productivity potential of Artificial Intelligence (AI) in the region.

By strategically leveraging these advanced solutions, the quality and efficiency of critical sectors like information and communications technology (ICT), logistics, and inventory management can be significantly enhanced. Moreover, AI-powered optimisation of the supply chain can improve market efficiency through seamless matching of producers, distributors, suppliers, and consumers, ultimately driving down production and labour costs while boosting competitiveness. o fully harness AI's transformative potential, ASEAN Member States (AMS) must focus on several key enabling factors. First, robust investments in upgrading ICT infrastructure are crucial, providing a foundation for seamless integration and scalability of AI solutions across industries and borders. Additionally, enacting comprehensive data privacy and cybersecurity regulations is essential to foster trust among stakeholders, safeguard sensitive information, and mitigate risks associated with AI adoption. Lastly, AMS must cultivate a nurturing environment for businesses, especially in AI and technology sectors, to thrive and innovate.

As the region rapidly embraces AI adoption, ensuring inclusive and equitable AI is paramount.

Southeast Asia is incredibly diverse, with over 670 million people spanning different cultures, ethnicities, languages, and socio-economic backgrounds. This rich diversity is a strength, but it also means that AI systems trained on limited or skewed data could perpetuate biases and discrimination against certain groups. For AI to truly benefit all of ASEAN's people, it must be developed and deployed in an inclusive and equitable manner. AI models and datasets need to be representative of the region's diversity to prevent exclusion or unfair treatment based on gender, race, age, disabilities or other characteristics. This approach fosters diversity and inclusion in AI development and deployment to mitigate bias and ensure fit-for-purpose solutions that cater to the unique needs of the different communities.

The region's digital divide must be addressed to prevent the AI revolution from widening existing inequalities. ASEAN Member States need to prioritise nurturing AI talent and upskilling their workforce. This requires creating robust educational frameworks and professional training programs to ensure that labour forces are equipped with necessary digital and algorithmic literacy skills. Additionally, responsible AI uptake should be promoted across all industries, not just digital-native firms. Addressing challenges like inadequate infrastructure, skill gaps, and scale limitations is crucial, especially in sectors like agriculture and fisheries, where AI's potential remains largely untapped.

ASEAN Member States (AMS) need to institutionalise AI Governance to not only promote responsible AI adoption but ensure sustainable development in the region.

ASEAN has proactively recognised the importance of regulating the rapidly evolving artificial intelligence (AI) landscape and taken commendable initial steps to promote responsible AI practices. The recently endorsed ASEAN Guide on AI Governance and Ethics, along with the introduction of light-touch regulations, demonstrates the region's commitment to this cause. The current flexible approaches, including voluntary recommendations and guidelines, are crucial in managing the challenges posed by the varying digital capabilities, regulatory maturity, and institutional frameworks across ASEAN member states. However, as AI technologies continue to advance at an unprecedented pace, there is a growing consensus on the need to institutionalise these efforts to ensure long-term effectiveness and widespread adoption of responsible AI practices. While voluntary frameworks serve as a starting point, robust and enforceable governance frameworks are becoming increasingly vital to drive tangible change and accountability.

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