

Study on the ASEAN Digital Economy Framework Agreement (DEFA)

8 November 2024

Public Version 2.0

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

Outline

Defining digital economy

Guiding Principles

Exploring the DEFA Study

Value@Stake: Why digital economy matters

Learnings from global agreements

Starting points and capabilities of member states

Learnings from engagements

DEFA policy recommendations

Governance and Roles and Responsibilities

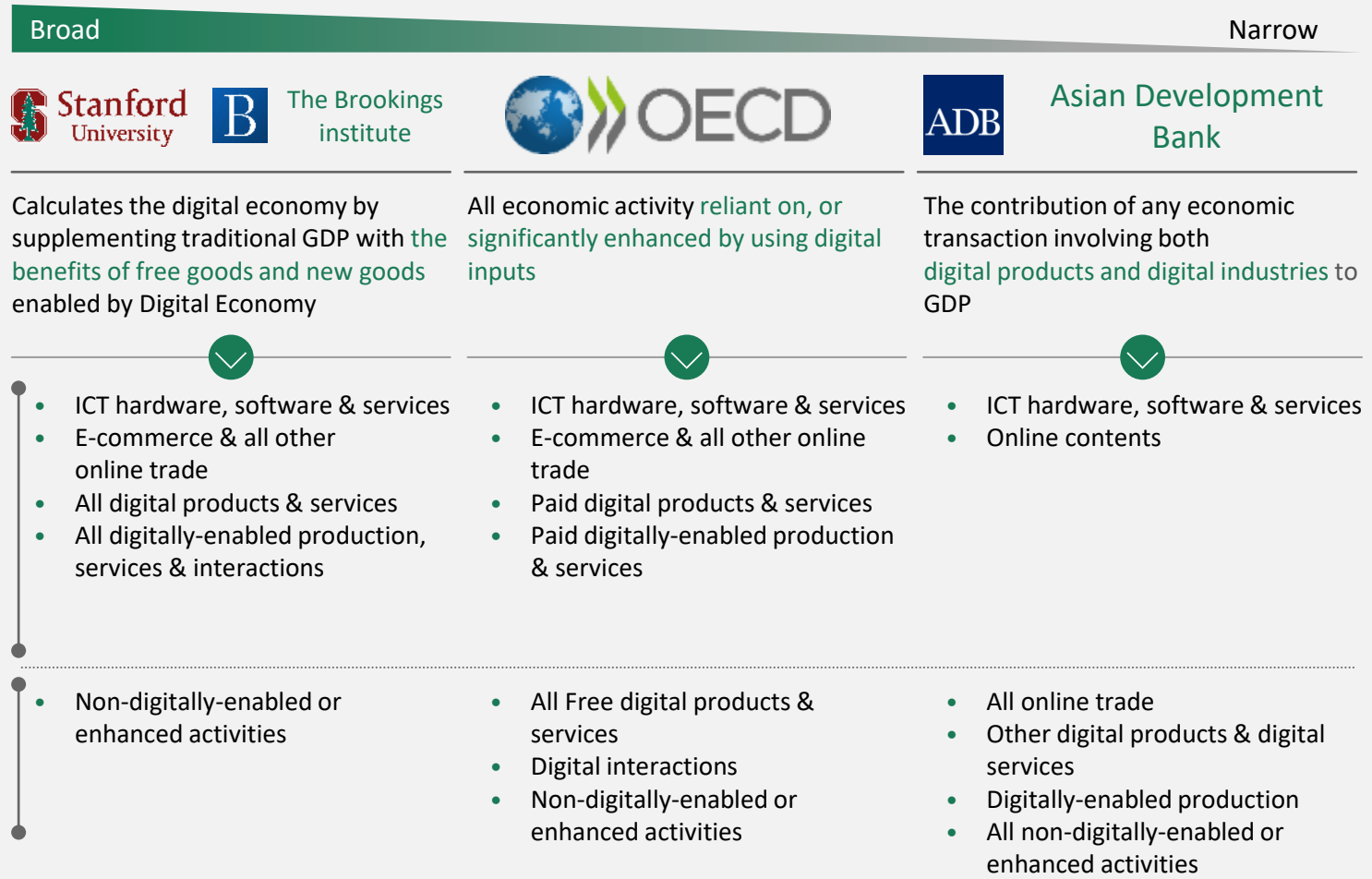
Summary



What is digital economy ?

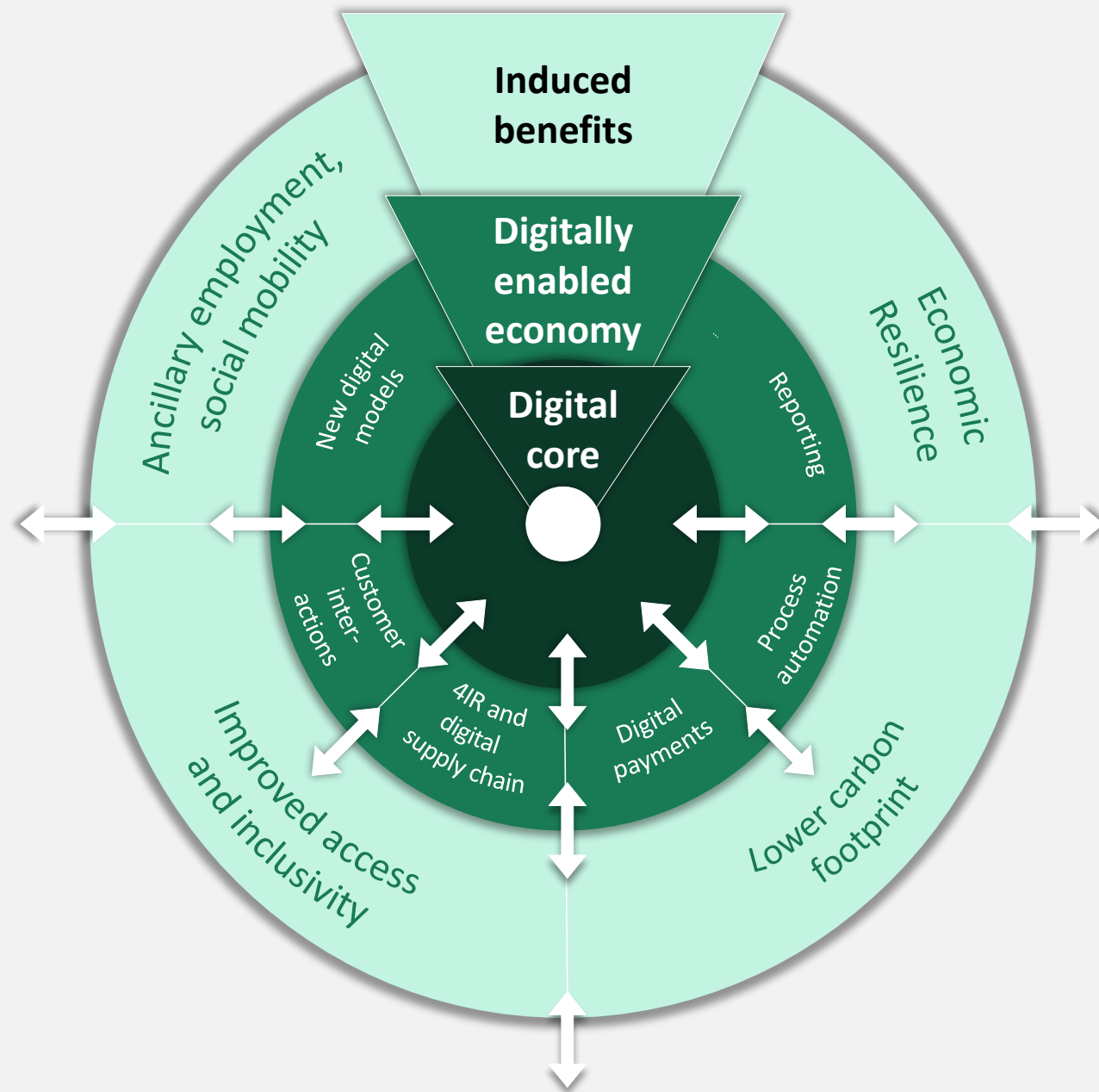
How can we describe digital economy and its key elements

International organisations describe 'digital economy' in different ways



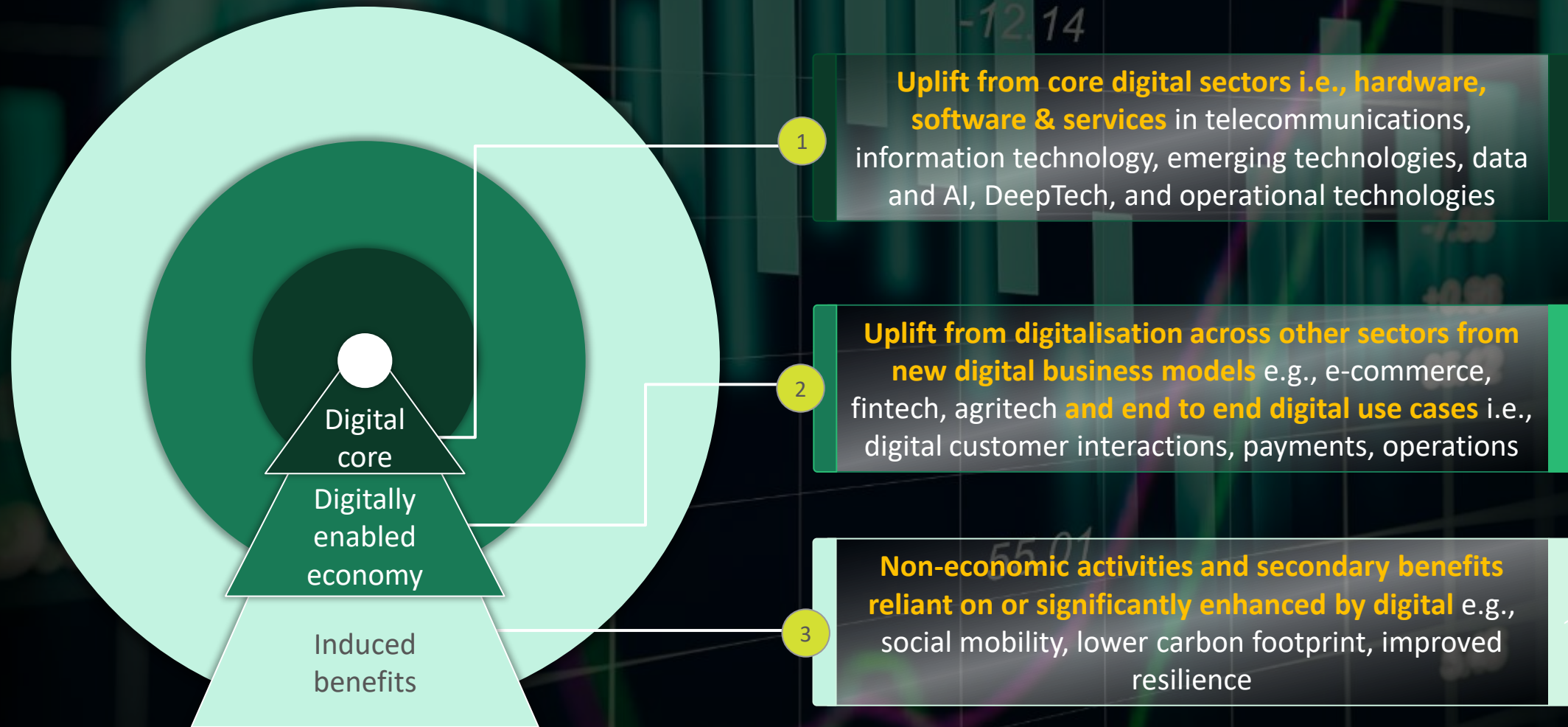
Source: Brookings Institutes' 'How Should We Measure the Digital Economy?'; OECD's Report for the G20 Digital Economy Task Force; ADB 'Capturing the Digital Economy, A proposed framework & its application'

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

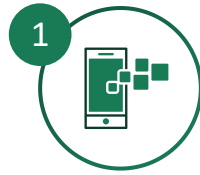


A broader view can help us understand the full potential of digital economy

The digital economy should align with global understanding, while emphasizing the region's unique characteristics and aspirations generated by (1) digital core sectors, (2) digitally-enabled economy, and (3) induced benefits.



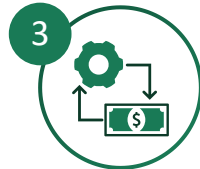
Guiding principles



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



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



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



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

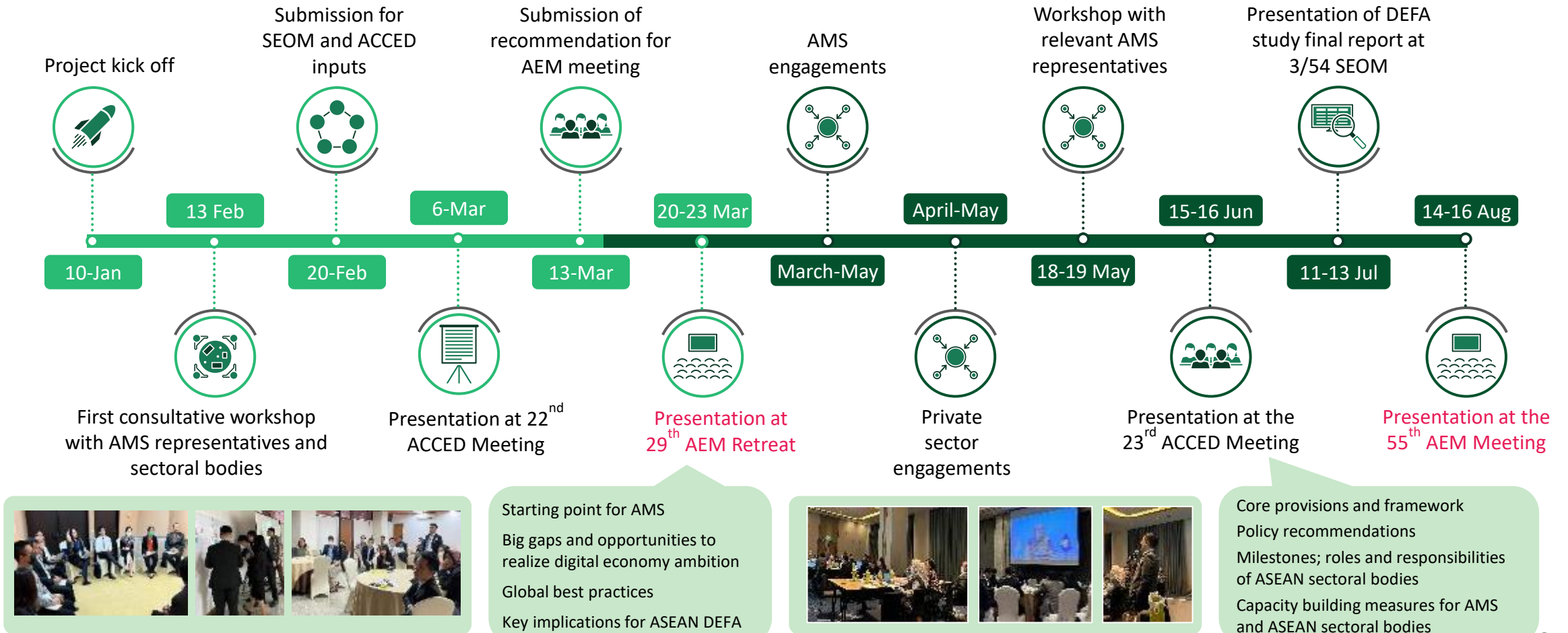


Bring tangible benefits: Bring tangible benefits to businesses and people in the region by operationalizing use cases through concrete

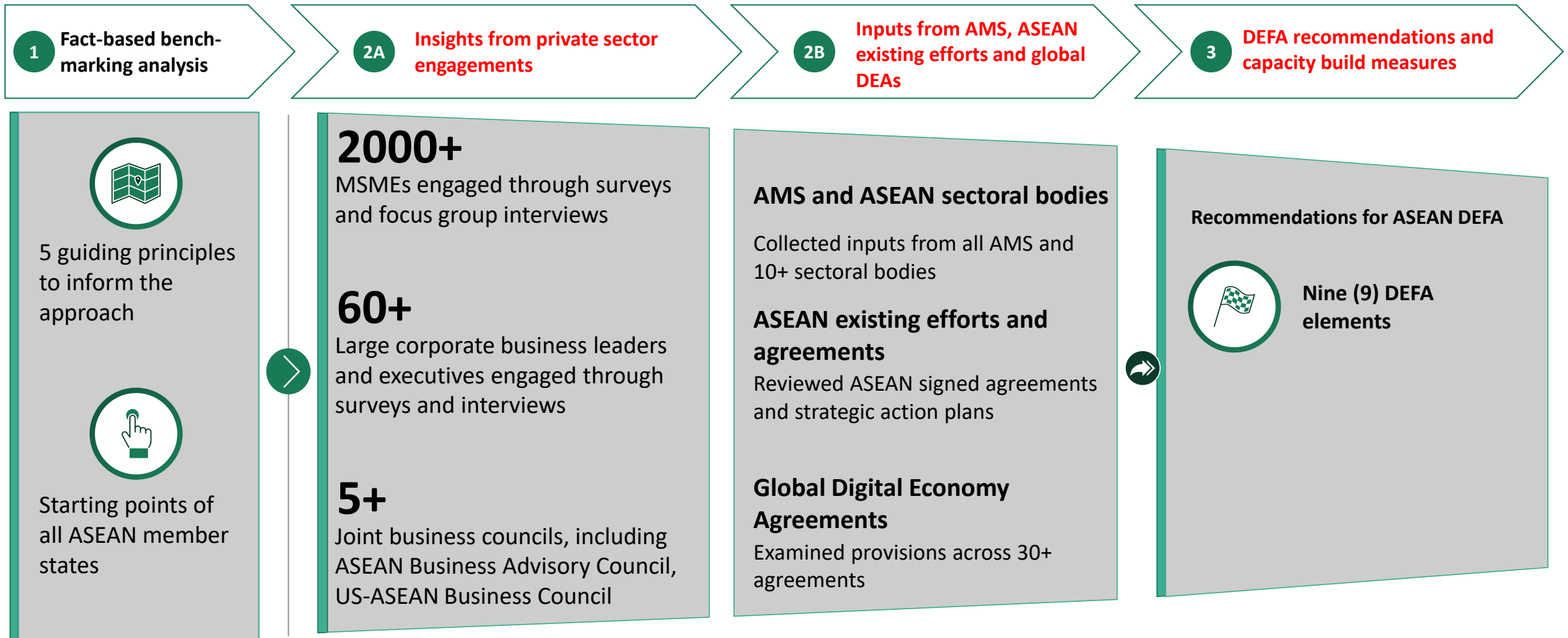
Exploring the DEFA Study: We concluded an 8-month journey to lay the groundwork for the development of ASEAN DEFA

Starting point and gap analysis

Scope guiding principles and potential priorities for DEFA



Methodology: We analysed ASEAN efforts, global agreements and engaged AMS & private sector stakeholders to develop the DEFA recommendations



We have engaged ASEAN sectoral bodies, member states, experts and private sector closely to develop and align our recommendations

| ASEAN Stakeholders | ASEAN Member States | Global organization and experts | Private Sector |
|---|--|---|---|
| <p>20+ consultation sessions with ASEAN sectoral bodies</p> <ul style="list-style-type: none"> ✓ SEOM ✓ ACCED ✓ ACCMSME ✓ DTSCWG ✓ ATF-JCC ✓ ACCP ✓ AEGC ✓ WC-FINC ✓ ASWSC ✓ ADGSOM ✓ CCS ✓ ANSAC ✓ WC-PSS ✓ ASEAN BAC ✓ ASEANStat <p>Existing Agreements and efforts including RCEP, ASEAN Agreement in E-Commerce, ASEAN Trade in Goods Agreement, ASEAN Trade in Services Agreement, various strategic action plans and work plan</p> |  <ul style="list-style-type: none"> ✓ 1st Consultative Workshop— 13th Feb ✓ AMS Questionnaire – Apr/May ✓ 1-on-1 Discussion (Mar-May - based on request) ✓ 2nd Consultative Workshop— 18-19^h May | <p> Global organizations</p>  <p> Joint Business Councils ASEAN Business Advisory Council, US-ASEAN Business Council, European Chamber of Commerce, Canada-ASEAN Business Council</p> <p> BCG Country & sectoral experts</p> <p> Legal experts</p> | <ul style="list-style-type: none"> ✓ 2,000+ MSMEs surveyed across all 10 AMS ✓ 20+ MSMEs interviewed in in-depth focus group across all 10 AMS ✓ 60+ large corporates surveyed across all 10 AMS ✓ 20+ large corporates 1:1 interviews across all 10 AMS  |

✓ Meetings conducted/ inputs received



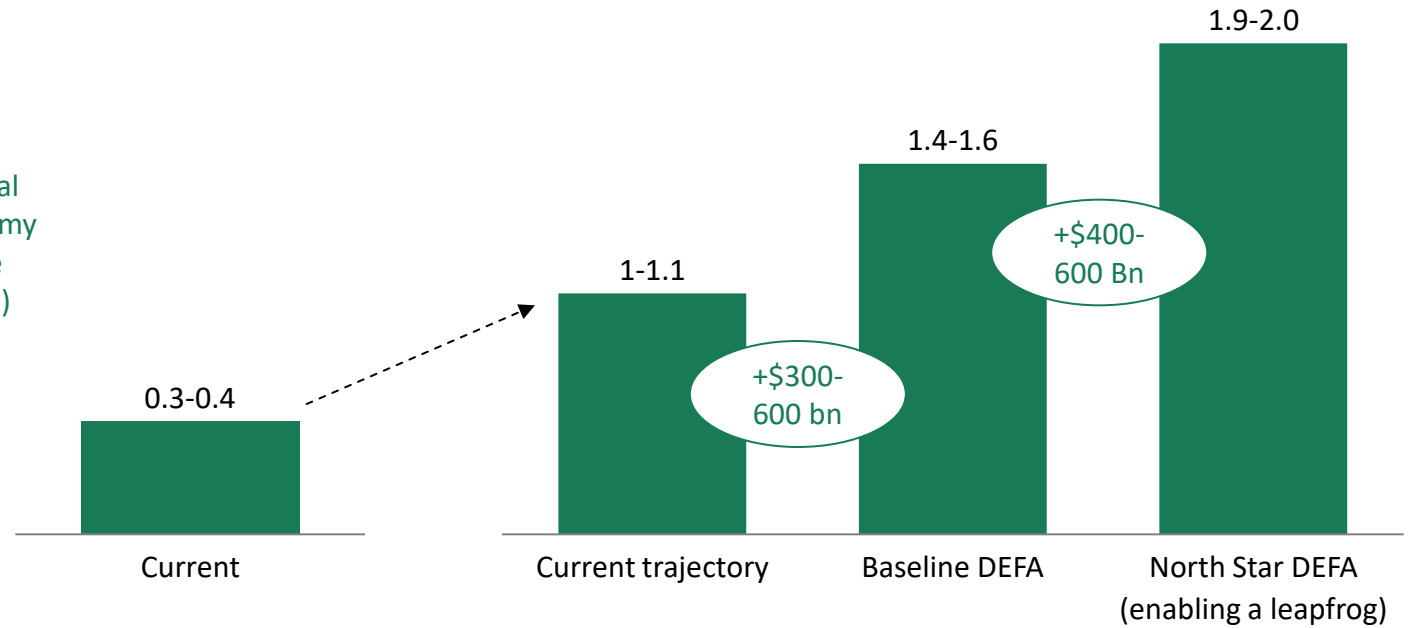
Size of digital core and digitally-enabled economy

Preliminary

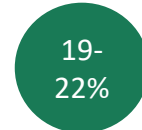
2021

2030F

Digital Economy Size (\$Tn)



Digital Penetration



Natural growth driven by existing market forces

Growth from Baseline DEFA focusing on cross-border trade, payments & cybersecurity

North Star DEFA could further drive cooperation in data, emerging tech and talent

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

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

DEFA could **potentially provide significant value, multiplying each AMS' digital economy by 4-7 times.**

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



Positive climate impact

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



Improved resilience

Economies with high digital readiness demonstrated better resiliency to crisis such as COVID-19, enabling economic activities, remote work, and better supply-chain management.



Employment and social mobility

Digital adoption is creating new jobs and income-earning opportunities in rural communities, lifting people out of poverty



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

Learnings from global agreements



1

Importance of Digital economy agreements (DEAs) has increased over the last few years, effectively supplementing FTAs



2

DEAs prioritize big unlocks & enablers that can drive impact at scale

- a. Most existing agreements have made progress on digital trade & e-commerce, cybersecurity and digital authentication unlocking significant value.
- b. Benchmarks show that leapfrogs can be made by emerging markets in digital realm e.g., India stack
- c. Limited success in collaboration in areas like talent mobility due to the political sensitivities. However, selected bilateral agreements such as AANZFTA & EU – UK TCA have addressed them well.
- d. Agreements lag in collaboration of several sub-topics of data privacy & emerging topics like AI due to a lack of full understanding by governments on how to govern these new areas



3

Key factors that have inhibited achieving full potential include unaligned priorities, uneven benefits, capability gaps, unaddressed technical barriers and long lead times for agreements

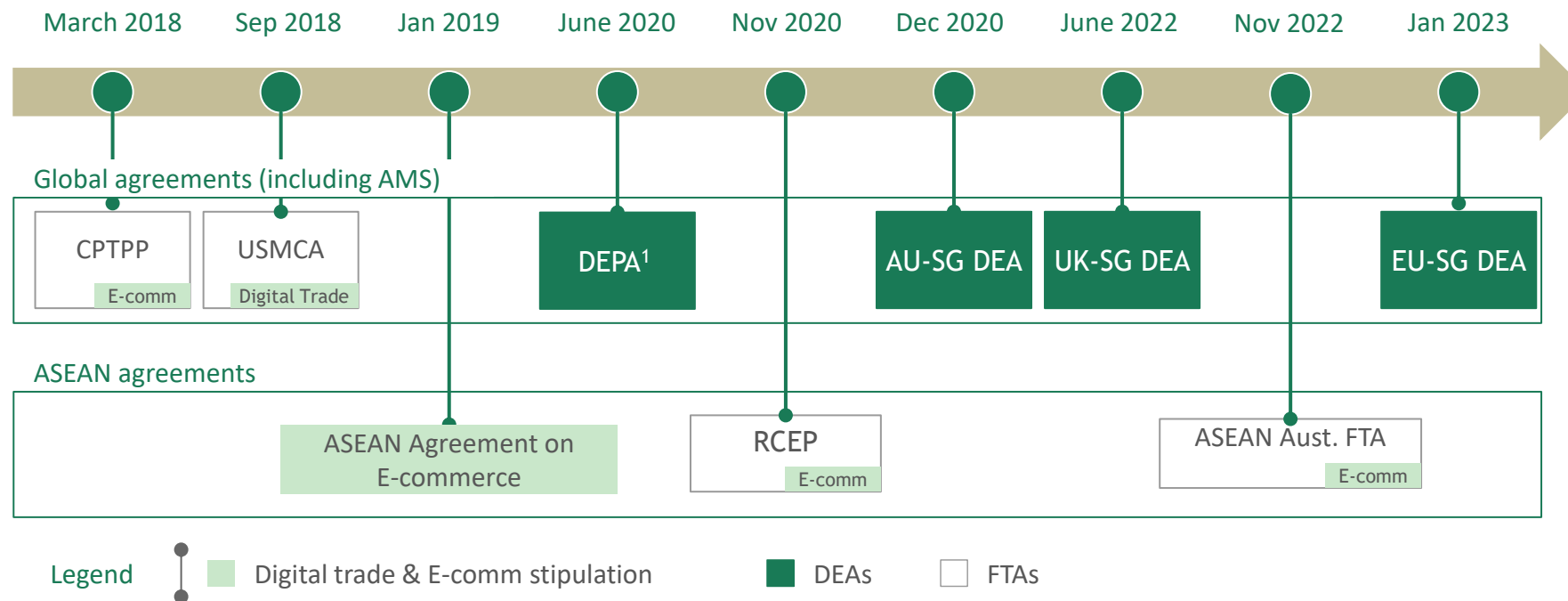


4

To unlock full potential, ASEAN needs to maintain a value-focused and inclusive dialog that engages public and private stakeholders throughout the process

Digital agreements are increasingly adopted to help countries keep up with the rapidly evolving digital environment

Digital Agreements focus on digital topics, which in the past were addressed as part of broader trade agreements...



...supplementing existing FTAs which have a broader scope

1. DEPA is not framed as a Digital Economy Agreement but was the pioneer effort in creating a digital-focused agreement
 Source: Centre For Strategic & International Studies; SMU Economics Intelligence Club; Peterson Institute For International Economics

To unlock full potential of our DEFA, few learnings for ASEAN member states



Value needs to drive the discussion

Digital agreements cover a vast range of fast developing topics. To develop a DEFA that is impactful and timely, AMS should look to prioritize areas of high real and intrinsic value



Identify the gaps and develop common solutions

With diverse socioeconomic structures, digital readiness levels, and national priorities in ASEAN, AMS may have different national concerns on digital topics. DEFA discussion should seek to understand those concerns and find common means to come to an agreement. Existing gaps could be address through various means including capacity building



Align on capacity building timeline

Capacity building is a key element to bridge the capability gap and ensure that all AMS can fully benefit from DEFA. Depending upon each AMS's digital readiness in each area, certain capacity building measures may be completed prior to the signing of DEFA while others may be completed after



Explore and adopt best practices where applicable and build on what came before

ASEAN can borrow from global best practices in areas that are already well developed, thereby enabling the faster development of DEFA. In addition, it should consider what was done through other agreements within ASEAN and build upon these prior initiatives, to ensure that ASEAN-specific solutions are developed through DEFA



Maintain flexibility to consider current development levels and develop long term commitments

ASEAN DEFA needs to maintain flexibility to consider areas that ASEAN could not reach consensus or need more time for adjusting domestic regulations and laws, considering the varied development levels



Focus on outcome rather than specifics

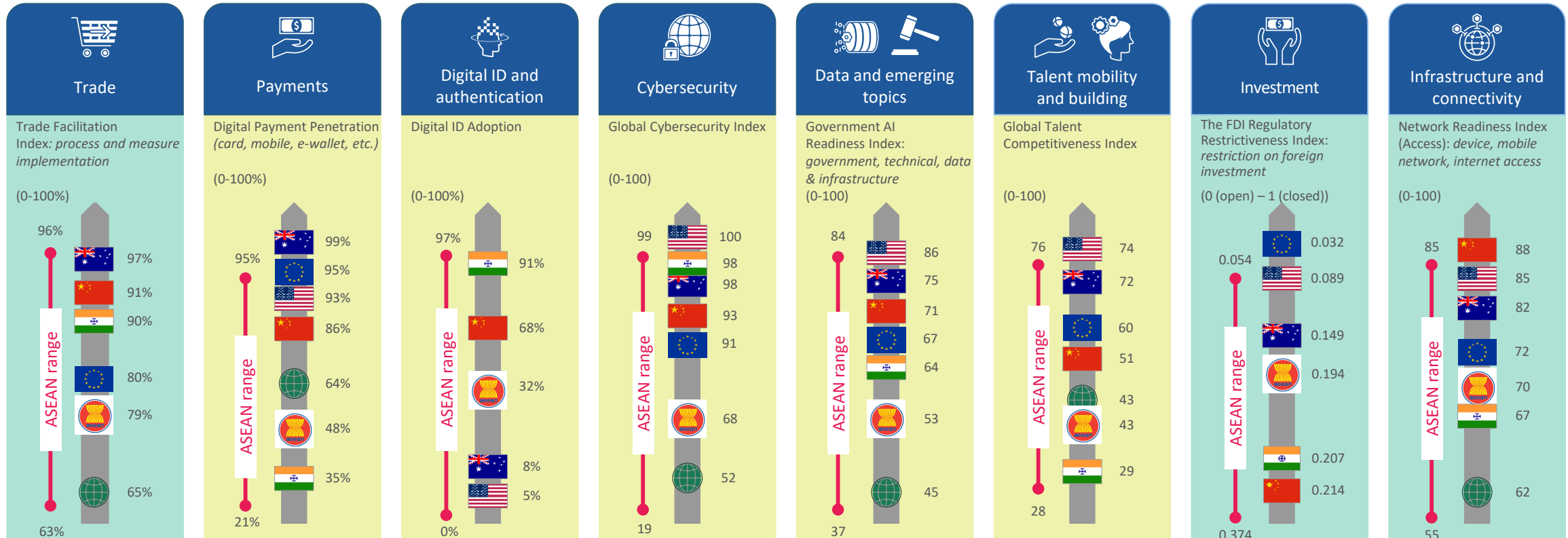
DEFA should not be prescriptive (e.g., citing specific solutions, technologies, or standards), but rather rely on international rules or frameworks to achieve the desired outcomes



Starting points and capacities of Member States

- 1 ASEAN outperforms global average in many areas related to digital economy but lags behind, in areas such as payments, talent and digital ID.
 - Significant range of readiness seen within ASEAN must be considered to ensure inclusive development
- 2 AMS have different starting points, an essential fact to consider while aligning on common ground and building for the future





ASEAN outperforms global average in many categories, and can go from "good" to "great" by learning from best-in-class digital economies







Where ASEAN is doing good: digital trade (transition to paperless trade), infrastructure and connectivity (high mobile coverage and growing broadband coverage), investment (relatively not restrictive)

Where ASEAN can push: digital ID (strengthening trust and increase use cases), digital payments (improving financial inclusion in rural area), cybersecurity (enhancing legal and technical infrastructure), Data privacy and consumer protection and cooperation on emerging topics (strengthening technology sector and data infrastructure and governance), talent mobility and building (growing talents and supporting facilities)

We benchmarked AMS with large economies and global average on selected core provisions and national capability builders (1/2)










| Pillar | Parameter | Publication | Dimensions covered |
|--|--|---|--|
|  Trade (digital trade & e-commerce) | Trade Facilitation Index | UN Global Survey on Digital and Sustainable Trade | <ul style="list-style-type: none"> Paperless trade Cross-border paperless trade Institutional Arrangement and Cooperation Formality Transparency |
| | UNCITRAL model laws adoption | United Nations Commission on International Trade Law (UNCITRAL) | <ul style="list-style-type: none"> Model Law on Electronic Transactions Model Law on Electronic Signature Model Law on Electronic Transferable Records Model Law on International Commerce Arbitration |
|  Digital ID and authentication | Availability and use case of Digital ID | Availability of Digital ID | <ul style="list-style-type: none"> Progress of digital ID implementation |
| | Usage of digital ID | Government sources Visa: Consumer Payment Attitude | <ul style="list-style-type: none"> Level of usage of digital ID |
| | % of population with national ID | World Bank: Identification for Development | <ul style="list-style-type: none"> Proportion of people with national ID card (% age 15+) |
|  Payment | Digital payment adoption | World Bank: Global Findex Database | <ul style="list-style-type: none"> % of population made or received digital payment |
| | Availability and adherence to international standard of financial system | Central bank sources | <ul style="list-style-type: none"> ISO20022 adoption in Retail Payment Systems ISO20022 adoption in Large Value Payment System Availability of instant fund transfer platform by the government |
|  Cybersecurity | Global Cybersecurity Index | ITU Global Cybersecurity Index, 2020 | <ul style="list-style-type: none"> Legal measures Technical measures Organizational measures Capacity development Cooperation |

We benchmarked AMS with large economies and global average on selected core provisions and national capability builders (2/2)

| Pillar | Parameter | Publication | Dimensions covered |
|--|--------------------------------------|--|---|
|  Emerging Tech | Government AI Readiness Index | Oxford Insights | <ul style="list-style-type: none"> • Government pillar: vision, government, digital capacity, adaptability • Technology sector: maturity, innovation capacity, human capital • Data and infrastructure pillar: infrastructure, data availability, data representativeness |
|  Talent building and mobility | Global Talent Competitiveness Index | INSEAD: The Global Talent Competitiveness Index 2022 | <ul style="list-style-type: none"> • Talent competitiveness inputs: policies, resources, efforts that a country harness to foster its talent competitiveness • Talent competitiveness outputs: quality of talent in the country resulting from the policies, resources and effort |
|  Infra and connectivity | Network Readiness Index: Access | Index from Oxford Insights Data source from ITU | <ul style="list-style-type: none"> • Mobile tariff • Handset prices • Internet access • Population covered by at least a 3G mobile network • International Internet bandwidth • Internet access in schools |
|  Investment | FDI Regulatory Restrictiveness Index | OECD | <ul style="list-style-type: none"> • Restrictions on foreign direct investment: <ul style="list-style-type: none"> - Foreign equity limitations - Screening or approval mechanisms - Restrictions on the employment of foreigners as key personnel - Operational restrictions, e.g., restrictions on branching and on capital repatriation or on land ownership |

Learnings from Engagements

Based on consolidated inputs from AMS, sectoral bodies and private sector engagement




| DEFA Core Provision | Imperatives for AMS and private sector | AMS | MSME | Large corp. |
|---|---|-----|------|-------------|
|  Digital trade | Simplify and enhance predictability through Single Window and trade platform, straight-through processing | ✓ | ✓ | ✓ |
|  Cross-border e-commerce | Improve transparency and speed of customs and logistics at lower cost | ✓ | ✓ | ✓ |
|  Payments | Simplify regulations and develop trusted, efficient payment networks | ✓ | ✓ | |
|  Digital ID and authentication | Establish legal validity and drive interoperability | ✓ | ✓ | |
|  Online safety and cybersecurity | Establish standardised regulations and procedures for better security and easier operating compliance | ✓ | | ✓ |
|  Data protection and privacy | Reduce fragmentation and restrictions in regulations to enable business expansion and value generation | ✓ | ✓ | ✓ |
|  Cooperation on emerging topics | Regulation and cooperation in AI (e.g. reduce harmful use of Gen AI) and other emerging tech based on international best practice | ✓ | | ✓ |
|  Competition policy | Ensure a level playing field for all businesses through competition policy | ✓ | | |
|  Talent mobility and cooperation | Expedite mobility of scarce, critical talent and promote permeability to balance labour-vacancy gaps | ✓ | | ✓ |

AMS have shared the gaps faced in various topics, ASEAN current effort and their DEFA imperatives for each topic (I/II)

| Topic | Gaps faced in transitioning to digital economy | Current effort by ASEAN and AMS | DEFA imperatives |
|--|---|---|---|
| 1 Digital Trade: Trade Facilitation, Standards | <p>Trade infrastructure not end-to-end or not interconnected as needed for completely paperless operations</p> <p>Different legal framework or requirements existing in ASEAN countries</p> | <ul style="list-style-type: none"> • ASEAN Single Window to connect all ASEAN national single windows for G2G exchange • ASEAN Digital Trade Standards Roadmap by DTSCWG (on-going) • Discussion on UNCITRAL model law adoption with support from dialogue partner | <p>Paperless trade with end-to-end connected trade platform supported by streamlined customs process</p> <p>Trade standards alignment to promote interoperability</p> <p>Regulation standardization through adoption of UNCITRAL model law</p> |
| 2 Payment and Inclusion | <p>Different payment standards complicates cross-border transfer</p> <p>Different digital payment regulation and requirement</p> <p>MSME and unbanked has low access to finance</p> | <ul style="list-style-type: none"> • Implementing Policy Guidelines (IPG) of the ASEAN Payments Policy Framework for Cross-Border Real-Time Retail Payments • ASEAN Institutional Framework on Access to Finance for MSME | <p>Payment system standards to establish integrated real time payments system across ASEAN</p> <p>E-payment regulation and requirement standardization</p> <p>Digital ID as an instrument to help authentication and enhance financial inclusion</p> |
| 3 Competition policy | <p>A comprehensive competition policy across AMS to ensure open and fair market access</p> | <ul style="list-style-type: none"> • ASEAN Investigation Manual on CPL for the Digital Economy • ASEAN Framework Agreement on Competition (AFAC) (on-going negotiation) | <p>Fair competition policy in digital economy context to protect consumers and businesses and ensure fair playing field</p> |

Technical gap
 Legal gap
 Structural gap

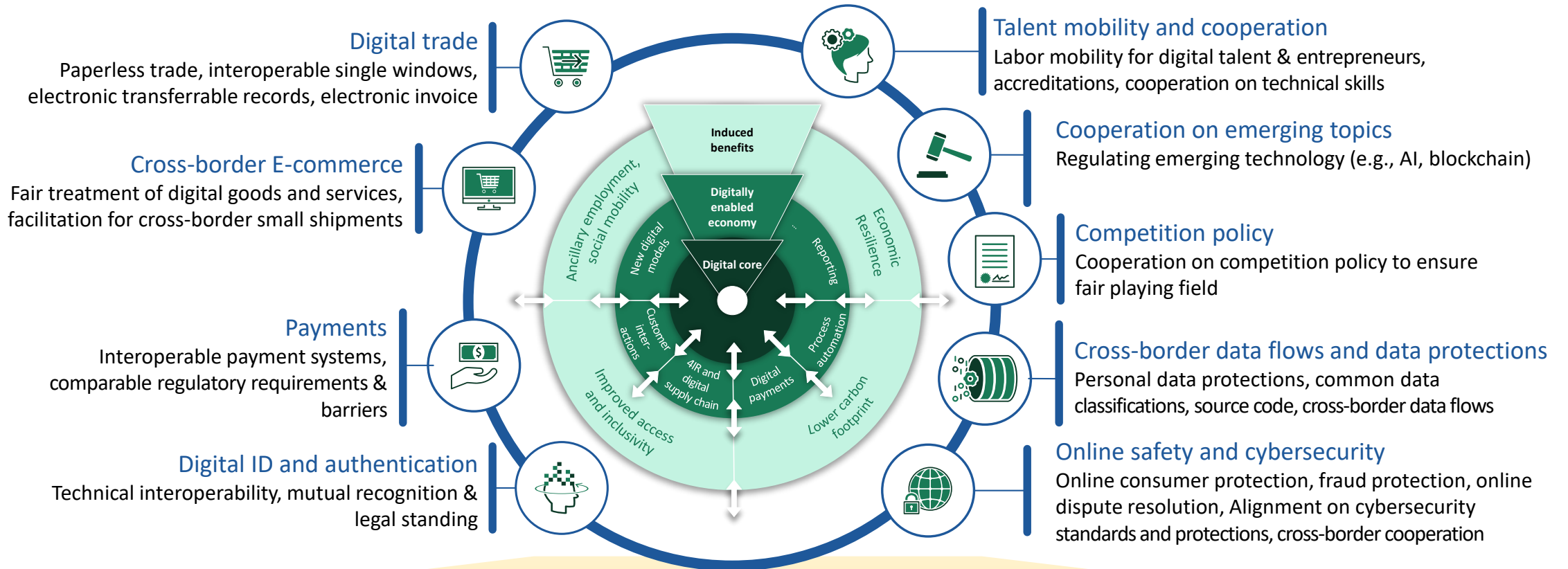
AMS have shared the gaps faced in various topics, ASEAN current effort and their DEFA imperatives for each topic (II/II)

| Topic | Gaps faced in transitioning to digital economy | Current effort by ASEAN and AMS | DEFA imperatives |
|---|---|---|---|
|  <p>4 Data protection and cyber security</p> | <p>Restrictive regulations on data sharing and transfer hinder trade</p> | <ul style="list-style-type: none"> • Model Contractual Clauses for Cross-border Data Flows • ASEAN Data Management Framework | <p>More open and aligned cross-border data sharing regulation/practice that allows for sufficient data flow while protecting sensitive data</p> |
| | <p>No single accreditation body for standards; different standards used</p> | <ul style="list-style-type: none"> • ASEAN Cybersecurity Standards Roadmap by DTSCWG (on-going) | <p>Streamlined policy and standards coordination: Align standards for better clarity and predictability for businesses</p> |
| | <p>Gap between AMS in cybersecurity; regional effort to bridge the gap</p> | <ul style="list-style-type: none"> • Regional CERT (on-going) • ASEAN CIIP Framework | <p>One ASEAN, One Response: ASEAN regional coordination in cybersecurity (one ASEAN against external threats)</p> |
|  <p>5 Talent</p> | <p>MSMEs' limited awareness and understanding of cybersecurity</p> | <ul style="list-style-type: none"> • ASEAN SME Academy offering online courses to MSMEs | <p>Capacity building program for MSMEs</p> |
| | <p>Talent scarcity and limited resource to provide talent development and upskilling</p> | <ul style="list-style-type: none"> • Collaboration with Google on talent building | <p>Talent mobility and temporary movement of people in selected skill areas within ASEAN</p> <p>Talent cooperation mechanisms (eg: accreditation, common recognition)</p> |
|  <p>6 Cooperation on emerging topics</p> | <p>Collaboration to help facilitate innovation across ASEAN</p> | <ul style="list-style-type: none"> • ASEAN Guide on AI Governance and Ethics • Blockchain for Digital Government –the ASEAN Way | <p>Regional collaboration on emerging topics (AI, blockchain) on key areas such as innovation, governance</p> |

Technical gap
 Legal gap
 Structural gap

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

Core DEFA provisions



AMS National Capability Builds

National level focus areas to achieve DEFA impact

Infrastructure and connectivity
Network infrastructure accessibility and affordability, user device standards and regulation

National investment and innovation
Investment in technology and talent in AI, fintech and blockchain technology

Talent building
Re-skilling, up-skilling and lifelong learning support, accreditation

Digital trade: Overview of current efforts and sub provision recommendations

DEFA vision

Topic

Sub provision



Digital trade

Seamless, secure and transparent cross-border trade empowered by technology through interoperability and harmonized standards

Electronic documents

- Maintain existing effort

Trade standards

- Adoption of digital trade standards and interoperability measures

Legal recognition

- Adoption of a legal framework consistent with UNCITRAL Model Law on Electronic Transferrable Records

Electronic Invoice


- Adoption of standards and interoperability measures for e-invoicing

- Cross-border legal recognition of e-invoice


Document or data exchange platform

- B2B, B2G, G2G exchange platform

Cross-border E-commerce: Overview of current efforts and sub provision recommendations

| DEFA vision | Topic | Sub provision |
|---|---|--|
|  Cross-border E-commerce Cross-border e-commerce transactions facilitated by simplified customs procedures | Custom procedure for low value shipment | <ul style="list-style-type: none">• Simplified customs procedures to include pre-arrival processing and risk assessment of cross-border e-commerce shipments, and procedures for immediate release of low-risk shipments on arrival or departure |
| | Customs duties on digital goods | <ul style="list-style-type: none">• Not impose custom duties on electronic transmissions |
| | Treatment of digital goods | <ul style="list-style-type: none">• Non-discriminatory treatment of foreign digital products whose safety is verified |

Payments: Overview of current efforts and sub provision recommendations

| DEFA objectives | Topic | Sub provision |
|---|--|--|
|  Payments Interoperable, secure & reliable, inclusive & accessible, multicurrency payment system adhering to international standards with real time settlement | Payment system standards and interoperability measures | <ul style="list-style-type: none">• Adhere to international standards |
| | Open architecture support | <ul style="list-style-type: none">• Open architecture support for domestic digital payment systems |
| | Legal framework on security and safety standard of digital payment | <ul style="list-style-type: none">• Ensure safety, efficiency, trust and security in electronic payment systems through regulation (implementation to be proportionate to and commensurate with the risks posed by the electronic payment systems) |

Digital ID: Overview of current efforts and sub provision recommendations

DEFA vision

Topic

Sub provision

Digital ID and E-Signature

Secure, interoperable digital ID across ASEAN, which is easy to use

Digital ID standards and interoperability

Digital ID legal recognition


Digital ID data security and privacy

Digital ID use cases


Electronic Signature

- DID system compliance with international technical standards and interoperability measures for corporate digital ID
- DID system compliance with international technical standards and interoperability measures for individual digital ID
- Legal recognition of digital ID cross-country for corporate digital ID
- Legal recognition of digital ID cross-country for individual digital ID
- Digital ID system compliance with international safety standards for corporate digital ID
- Digital ID system compliance with international safety standards for individual digital ID
- Implement use cases for digital ID across private sector (including financial, trade, etc.)
- Maintain existing effort


Online safety and cybersecurity: Overview of current efforts and sub provision recommendations

| DEFA vision | Topic | Sub provision |
|--|---|--|
|  Online safety and cybersecurity | | |
| <p>Secure, trusted, resilient environment (for consumers, businesses, govt.) with dispute resolution mechanism and with a strong and aligned cybersecurity framework</p> | <p>Policy & Legal framework for cybersecurity</p> <p>Cybersecurity collaboration</p> <p>Legal framework for online consumer protection</p> <p>Enforcement mechanism for online consumer protection</p> <p>Public awareness and trust building</p> | <ul style="list-style-type: none"> • Enhance legal framework for cybersecurity to international standards • Harmonize legal framework for cybersecurity (common definitions, protection standards) • Enhance cooperation and knowledge sharing in cybersecurity • Establishment of in-country sector specific CERTs/CIRTs • Promote establishment of ASEAN ODR network • Enhance legal framework for online consumer protection to international standards <p>Maintain existing effort</p> |


Cross-border data flows and data protections : Overview of current efforts and sub provision recommendations

| DEFA vision | Topic | Sub provision |
|--|---|--|
|  Cross-border data flows and data protections | | |
| <p>Free flow of non-sensitive data with no localization, except for legitimate public policy objectives</p> | <p>Cross-border data transfer</p> | <ul style="list-style-type: none"> • Allow free flow of commercial data (e.g., transaction data, payments data, business data) |
| | <p>Data localization requirement</p> | <ul style="list-style-type: none"> • Allow free flow of information, if equivalent data protection standards are followed, except for legitimate public policy objectives |
| | <p>Legal framework on personal data collection & protection</p> | <ul style="list-style-type: none"> • Not require storing data locally, except for legitimate public policy objectives |
| | <p>Source code</p> | <ul style="list-style-type: none"> • Enhance personal data protection and handling legal framework to common international standards (e.g., ASEAN Framework on Personal Data) • Align data protection and handling across markets (common definitions, protection standards) • Not require access to source code except for regulatory or judicial investigations |


Cooperation on emerging topics: Overview of current efforts and sub provision recommendations

| DEFA vision | Topic | Sub provision |
|--|---|---|
|  Emerging topics Maximising innovation while mitigating risks using a clear and structured approach | Ethical and governance framework Cooperation on emerging topic | <ul style="list-style-type: none">• Implementation of ethical and governance framework based on international principles• Alignment on approach towards governance and standards for AI• Cooperation on AI and new innovation regulation (e.g., regulatory cooperation committee) |

Competition policy: Overview of current efforts and sub provision recommendations

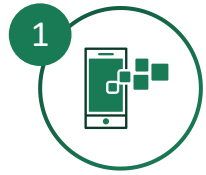
| DEFA vision | Topic | Sub provision |
|---|--|--|
| <p> Competition Policy</p> <p>Create a fair/non-discriminatory, transparent and competitive environment with consistent guidelines on enforcement and better choice for consumers</p> | Competition policy for digital economy | <ul style="list-style-type: none">• Internalization of competition policy in digital economy related policies, regulations and legal framework |
| | Laws governing large platform players | <ul style="list-style-type: none">• Enactment of laws to ensure fair and open digital market access for large platform players (digital gatekeepers) |
| | Collaboration of regional competition policy | <ul style="list-style-type: none">• Enforcement of cooperation on cross-border competition cases in the digital economy• Enforcement of coordination on cross-border competition cases in the digital economy |

Talent mobility and cooperation: Overview of current efforts and sub provision recommendations

| DEFA vision | Topic | Sub provision |
|---|---|--|
|  Talent Mobility and Cooperation | | |
| <p>Flexible movement of digital talent with close collaboration on talent building and mutual qualification recognition</p> | <p>Talent mobility</p> <p>Talent building</p> <p>Mutual qualification recognition</p> | <ul style="list-style-type: none">• Preferential support for mobility of specific coveted digital talent types across ASEAN• Preferential support for mobility of digital entrepreneurs & investors• Free flow of digital talent; subject to national security restrictions• Streamlined, electronic and trackable application• Cooperation on talent building including sharing of best practice, training programs• Mutual qualification recognition for specific digital roles |



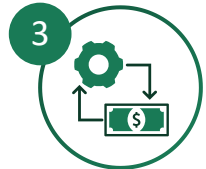
Key takeaways for DEFA development



1 Compelling case for **Digital ID** adoption, given 3 – 6% GDP value impact through potential implementation of digitized systems, digital ID authentication & private sector's adoption



2 **Talent** will be a key driving force for ASEAN's digital and overall economy development; mobility and internal capacity building are key to address current gap



3 Untapped opportunities for AMS to further drive trade contribution through **digital trade** and facilitate new cross-border opportunities such as e-commerce



4 **Digital payments** unlocks important GDP uplifts, enables cross-border trade & narrows inequality gap. All AMS need further push on provincial adoption and cross-border integration



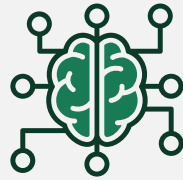
5 Massive potential cost savings potential from **Cybersecurity**. Opportunities lie in the development of clear cybersecurity legislation, network partnership & intra-government coordination



6 **Infrastructure** needs to catch up for some nations, but Vietnam, Thailand, Indonesia and Malaysia can help raise the bar

DEFA needs to be evolving as ASEAN's digital ambitions and frictions will evolve with time

The following are the key potential changes in ASEAN's digital economy



New tech and disruptive forces

- As new technology emerges, **policies** and **standards** need to be updated.



Evolving private sector needs

- As ASEAN transitions through its development path, private sector's needs for DEFA will evolve
- DEFA needs to consider governance mechanisms to constantly engage the private sector and **continually update the existing agreement** to support these changes.



Variations in country status

- DEFA needs to accommodate **staggered timelines/commitments** by the AMS from varied starting positions of the AMS
- Mechanisms to accommodate these variations and manage countries transitioning to higher levels of commitment will need to be considered

There are number of ways previous agreements have ensured flexibility



Tiered commitments allow member countries to have strong commitments for certain provisions (core provisions), while agreeing to cooperate on certain areas on a best effort basis. This allows countries to cooperate on topics without firm consensus, while setting the stage for stronger commitment in future

E.g., Competition policy in DEPA shows different levels of commitments on various sub-provisions



Differentiation in the obligations and commitments allow member countries to make commitments based on their readiness levels, providing them sufficient time to prepare for the implementation of the commitments.

E.g., RCEP chapter 12 allows longer timelines for some countries to implement some provisions



Periodic review provisions allow parties to identify areas where amendments to update agreements as necessary. Mechanisms such as joint committees, working groups, or other bodies are usually used to review and update the agreement.

E.g., CPTPP has provisions to review of the agreement every five years through the CPTPP commission



Use of forward looking provisions allow agreements to stay ahead of rapid evolution of emerging topics. This can be done by the usage of outcome and principles based language within the DEFA.

E.g., UK-SG DEA has provision to use risk-based approaches for AI regulation, instead of a specific method to regulate

Next Steps:

The importance of the digital economy has increased tremendously as the technology advances and digital adoption increases.

Through DEFA, ASEAN will be able to unlock the full benefits of digital transformation to improve the productivity and the lives of the people and eventually boost the ASEAN economic growth.

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.

Negotiation between ASEAN Member States formally begin in December 2023, with the target to conclude negotiations by the end of 2025.





THANK YOU



ONE VISION, ONE IDENTITY, ONE COMMUNITY

