

ASEAN's Digital Economy: Development, Division, Disruption

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ASEAN's Digital Dilemma



Geopolitical tensions between the United States and China in the technological sphere may translate into a mixed bag of effects for ASEAN's digital economic development. Photo modified from images taken from the US Department of Agriculture Flickr account, Pixabay and Wikimedia tagged under the public domain, Pixabay License, and the CC Share Alike 4.0 International License respectively.

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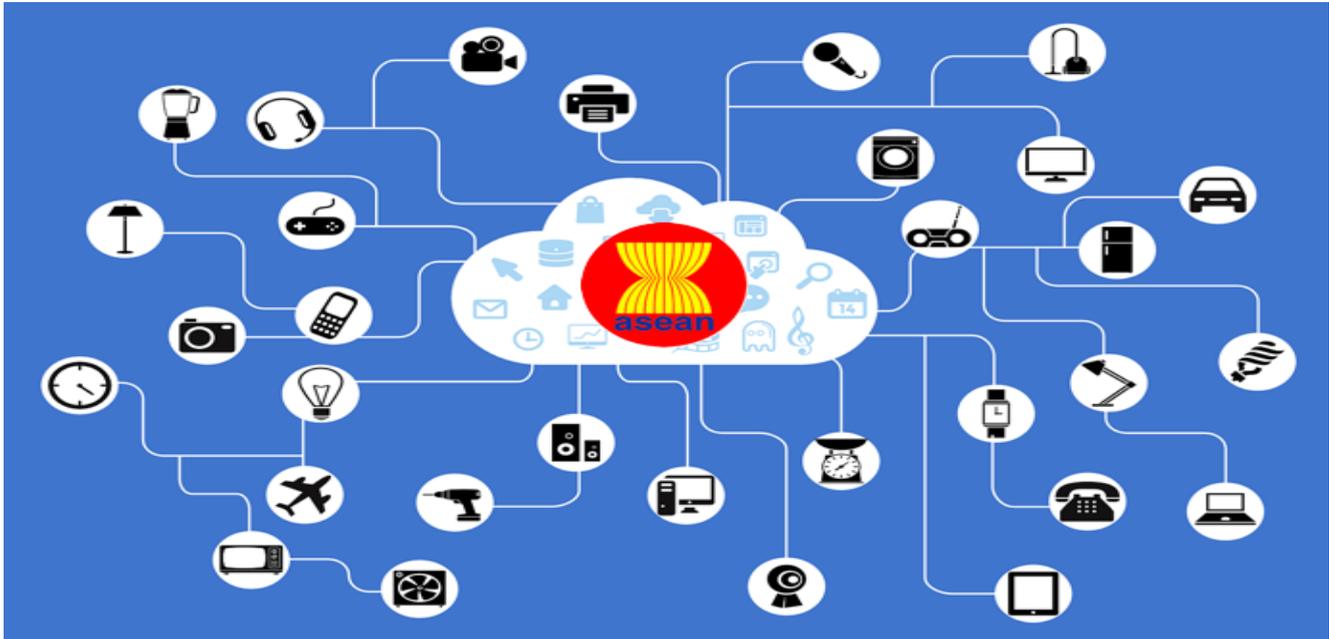
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FEATURED COMMENTARY

ASEAN's Digital Economy: Development, Division, Disruption

By Amalina Anuar



The development and adoption of next generation technologies, running the gamut from the Internet of Things (above) to artificial intelligence and 5G networks, promises to herald a new era for ASEAN's economic prosperity— conditional on the effective governance of this emerging growth engine amidst geopolitical and other risks. Photo modified from Pixabay and Wikimedia images tagged under the Pixabay License and the CC Share Alike 4.0 International License respectively.

What do US-China tensions in the technological sphere mean for ASEAN's digital ambitions and how can it respond?

Commentary

BOASTING AN increasingly wired and growing middle class, as well as a wealth of data stemming from a 642-million-strong population, ASEAN's digital economy is ripe for the picking. By 2025, it will be worth an estimated [US\\$240 billion](#).

The prospects of market dominance and significant data pools to be mined for developing future technologies, combined with ASEAN's geostrategic location, have lured greater major power interest into the region's digital econo-

my. Though global tech titans are more visible players in ASEAN's digital space, greater government-to-government cooperation is emerging as economics and security become increasingly intertwined. What then might this mean for ASEAN?

Development Opportunities

Boosting financing for ASEAN's infrastructure, digital or otherwise, could increase digital economy take-up. Competing infrastructure partnerships such as China's Digital Silk Road (DSR) and the Washington-initiated Indo-Pacific Economic Vision (IPEV) could help service hard and soft infrastructure gaps across the region.

Under the DSR, fibre-optic cables have boosted data-carrying speeds, improving telecommunications connectivity. In Malaysia, Alibaba's Digital Free Trade Zone serves as a cross-border logistics and e-commerce centre, with another digital trade hub servicing Cambodia, Laos, Myanmar, Vietnam, and Thailand mooted for Thailand's Eastern Economic [Corridor](#).

Generating soft infrastructure, Alibaba has promoted SME (small and medium-sized enterprise)-friendly trading initiatives via the Electronic World Trading Platform— a move that may heighten SMEs' [10%-30%](#) contribution to ASEAN's exports.

Benefits could further trickle in for ASEAN's smart city initiatives. Aside from DSR initiatives, the November 2018 US-ASEAN Smart City partnership followed on the heels of the IPEV launch in July 2018, which allocated [US\\$25 million](#) to prime private sector investment in regional digital connectivity and cybersecurity.

Where Washington's commitment has lagged, moreover, other Quad members – Japan, Australia, India – have stepped up to fill the gap. Besides the smart city partnerships slated for [2019](#), Japan will train [80,000](#) ASEAN high-tech specialists. Meanwhile, Tokyo's upcoming G20 Global Data Govern-

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ance Agenda, along with 2018's ASEAN-Australia Digital Trade Standards Initiative, could aid in hammering out multilateral regulatory infrastructure for ASEAN's internet economy.

Divisive Risks

Yet intense major power rivalry to build and control the infrastructure of the future, specifically 5G networks and their concomitant technologies, could risk a divided ASEAN digital economy.

So far, ASEAN's response to US pressure to ban Chinese-built 5G networks has been mixed, with the Philippines [greenlighting](#) its Huawei-serviced 5G networks,

while [Thailand](#) and [Malaysia](#) have approved Huawei's 5G trials. Though President Trump recently struck a more conciliatory tone on Huawei, calling for greater competition rather than 'blocking out currently more advanced [technologies](#)', pressure to aid continued US technological market hegemony may not abate given underlying geopolitical tensions.

A lack of 5G market competition could result in costlier technology and stymied innovation. Delays in rolling out 5G networks may be more detrimental, as 5G is instrumental for harnessing Industrial Revolution 4.0. In countries where 3G is still relatively prominent, ASEAN members could leapfrog to higher levels of economic development by transitioning to 5G —

though expectations should be tempered as 5G's transformative impact may not be felt in the short-term until applications such as smart factories become more ubiquitous.

Another concern is the interoperability of Chinese versus non-Chinese 5G technology. While both types of networks must interact in the future regardless, cross-network transaction and operation costs could rise without seamless connectivity. While global standard setting bodies can craft multilateral frameworks, the tussle over technological rulemaking could stymie progress and adoption.

Hardware aside, competing digital standards split between US-supported liberal versus protectionist rules could undermine the competitiveness of ASEAN's digital economy, if businesses must tailor operations to disparate regulatory regimes.

Exacerbated socioeconomic divides pose another risk. Smaller local enterprises may struggle to compete against the various foreign tech titans advancing into ASEAN's digital sphere, who are bolstered by greater investment capabilities, digital-savvy talent pools, and access to data.

Unpredictable Disruptions and ASEAN's Response

As technology becomes more integrated into supply

chains, security concerns and greater politicisation of market operations via policy-driven economic decoupling will likely continue to disrupt the business landscape. However, the extent of disruption remains unclear.

As businesses adjust, trends to localise or reshore supply chains in the hopes of avoiding non-tariff security measures may pick up speed. Though ASEAN could benefit from these supply chain redistributions, it could also herald a period of greater business uncertainty and hence, lower economic growth.

Soft infrastructure such as competition policy should be updated for inclusive growth in the digital age. Developing an ASEAN framework to ensure infrastructure projects align with ASEAN interests and economic development visions, as voiced in the Master Plan for ASEAN Connectivity and ASEAN Economic Community goals respectively, would not be remiss.

This could cover monitoring the impact of digital trade and infrastructure projects on SMEs for a people-centric ASEAN with an eye towards including micro-enterprises, dovetailing with Thailand's goals of [Digitising Micro-enterprises](#) as 2019's ASEAN Chair. Enhanced logistics and market access alone are insufficient for growth without addressing traditional, offline pain points such as lacking SME

export strategies and trade financing.

Way Forward

With cybersecurity underpinning the trustworthiness of ASEAN's digital economy, enhancing ASEAN's capabilities on this front will become even more critical, especially if the region's supply chains are to withstand stricter security probes.

Going forward, cybersecurity could be an added consideration under the Thai Chair's prioritised Digital Integration Framework Action [Plan](#) (DIFAP). This could include devising regional security standards applicable to multi-vendor 5G network providers, as excluding Chinese technology from ASEAN's nascent digital space is not viable in the larger context of the region's economic interdependence and the potential repercussions of jettisoning neutrality.

Lastly, increasing ASEAN's appeal as a single market— including by implementing DIFAP— would reduce the risks of a divided digital economy and strengthen its credibility as a production base of choice for businesses, better preparing the region for both the best and worst of times in the digital era. ■

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EU–SG Dialogue: Addressing Security Challenges in a Changing World



Dr Rohan Gunaratna, Professor of Security Studies, RSIS, speaks on the counter-terrorism panel at the EU-Singapore Dialogue 2019.

RSIS, the European Union (EU) Delegation to Singapore, and the European Union Institute for Security Studies co-hosted a one-day conference titled “EU–Singapore Dialogue: Addressing Security Challenges in a Changing World” on 30 January 2019. The conference was the first in a series of four high-level EU–Singapore Think Tank Dialogues to be organised in 2019. It discussed future prospects for security cooperation between the European Union and Singapore, focusing on cybersecurity, counter-terrorism, and maritime security.

The first panel on cybersecurity provided a comprehensive overview of global cybersecurity challenges and the policies that the

European Union and Singapore have in place to address the threats. A key concern that speakers highlighted was that technological developments are outpacing the ability to defend against cyber threats. The speakers also highlighted the difficulties in operationalising cybersecurity initiatives. They noted that the Huawei case demonstrated further complications that arise when the lines between political and commercial interests are blurred.

The second panel focused on counter-terrorism. The speakers agreed that while terrorism remains a top-level threat, it has since evolved. Today, there is a decentralisation of terrorist networks, and the influence

of terror groups is amplified with the use of social media. The immediate shared concern between the European Union and Singapore is the return of foreign fighters. These developments, the speakers stressed, underscored the critical importance of information sharing and exchange and transparency between partners.

The last panel highlighted another common security concern between the European Union and Singapore: maritime security. The key point from the discussions was that while great power rivalry issues have dominated the maritime discussion thus far, there is a need to think beyond these and examine how other issues such as cybersecurity can

affect maritime security. The challenges of maritime security are best tackled through cooperation with like-minded partners, the speakers concluded.

In his closing remarks, RSIS Executive Deputy Chairman Amb Ong Keng Yong observed that there was great potential for more EU–Singapore cooperation in mutually beneficial areas. He reiterated that today’s global challenges require more cooperation among multilateral stakeholders. ■

RSIS Seminar Series on Multilateralism Studies: Small States and Alliance Strategies

On 10 January 2019, the Centre for Multilateralism Studies, RSIS, organised a seminar focusing on the alliance strategies of small states. Three speakers presented individual country presentations that offered diverse policy analyses of varying alliance strategies used by small states.

Baldur Thorhallsson, Pro-

fessor at the University of Iceland, highlighted the importance of the provision of shelter by larger powers through the case of Iceland and its relations with larger neighbouring states and international organisations.

Wu Shang Su, Research Fellow, RSIS, talked about Taiwan and its reliance on its alliance with the United

States while Iftekharul Bashar, Associate Research Fellow, RSIS, looked at the case of Bangladesh and its “friendship with all and malice with none” strategy.

Differing theories suggest varying trajectories for alliances. Neorealists, for example, would advocate alliances for the sake of survival, while constructivists

regard alliances as aggravating a security dilemma. The case studies and the seminar served to highlight the variety of policy options that are available to small states while acknowledging the limitations that each country faces in its efforts to establish and exert influence. ■

SELECTED PUBLICATIONS

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RSIS Commentaries
28 March 2019

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Tomoo Kikuchi & Yohei Tanaka
RSIS Commentaries
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RSIS Commentaries
18 March 2019

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RSIS Event Report
03 January 2019

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Multilateral Matters is the quarterly publication of the Centre for Multilateralism Studies (CMS), analysing the most recent developments regarding multilateralism by our team. It covers articles on relevant economic and political issues as well as programmes and latest publications from the research centre. The objective of the newsletter is to promote the research being done by our centre, raising awareness of the many events that we hold on a regular basis.