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Can ASEAN Overcome Challenges to Digital Development?

By Anthony Toh Han Yang

SYNOPSIS

Despite promising growth projections, ASEAN faces numerous roadblocks in greater digitalisation. Yet, robust digital development is necessary for the Southeast Asian grouping to strengthen regional resilience and strategic relevance on the global stage. Can ASEAN member states overcome the challenges at the respective national levels and accelerate digital development for collective good?

COMMENTARY

ASEAN has made considerable strides in improving technology governance, cyber security, digital innovation, and technological entrepreneurship. At the [56th ASEAN Foreign Ministers' Meeting \(AMM\)](#) held in Jakarta from 11-12 July 2023, ASEAN member states [reaffirmed](#) the importance of fostering greater digitalisation within national boundaries and to harness the power of digital transformation to deepen regional economic integration.

The AMM's joint communique was in line with the spirit of the ASEAN Digital Masterplan 2025, the Bandar Seri Begawan Roadmap, and the Boracay Digital Declaration. It [documented](#) ASEAN's strong commitment to facilitate interoperability of cross-border transactions, accelerate digital payment adoptions among member states, and to strengthen cooperation in enabling the [Digital Economy Framework Agreement \(DEFA\)](#). The latter seeks to create a seamless digital trade ecosystem, which would unlock the region's digital potential and enhance the competitiveness of Southeast Asian digital economies.

While ASEAN is eager to promote regional digitalisation, challenges could arise internally and externally, which may forestall its digital development.

ASEAN's Data Regulation Divergences

Over the years, ASEAN member states have pursued increasingly [diametric data regulation policies](#). Indonesia, Vietnam, Cambodia, and Laos have moved towards a more restrictive regime on cross-border data flows whereas Singapore and the Philippines have inched towards greater liberalisation.

ASEAN member states have also adopted different stances on open government data. Singapore and Vietnam have been [improving](#) public access to such data to foster innovation and to strengthen cooperation between government and the public sectors while Cambodia [displays little interest in enhancing open data access](#).

These different approaches to data regulation among ASEAN member states may have negative impacts on ASEAN's digital growth. For instance, such divergent policies will create additional transaction costs and more complex policy adaptations, which may deter digital-based micro, small, and medium enterprises (MSME) from expanding their operations in the region.

Divergent data regulation policies will also complicate the realisation of an integrated digital economy intended to enhance regional competitiveness. A delay or failure to enact DEFA may diminish ASEAN's competitiveness as a digital hub vis-à-vis other regional groupings such as the European Union (EU), African Union (AU) and MERCOSUR (the South American trade bloc comprising Argentina, Brazil, Uruguay and Paraguay). These regional organisations are actively working towards [integrated digital markets](#) to boost their digital presence on the global stage.

Another concern lies in whether ASEAN could utilise harmonisation procedures or perhaps enhance regional coordination to address the issue of digital policy divergences among its member states. ASEAN had established [harmonisation guidelines](#), which have been successful in reducing some intra-regional cross-border trade barriers. But whether ASEAN could create another set of harmonisation guidelines to bridge divergent data regulation policies is uncertain. Furthermore, the potential for successful harmonisation is limited considering the underlying national philosophy and policy orientation of the respective ASEAN member states.

For regional coordination, it is important to note that ASEAN, unlike the EU, does not possess supranational authority to enforce collective policy standardisation among member states. Political will matters as data regulation policies are coordinated by the ASEAN governments themselves. Moreover, as national security concerns [take precedence](#), this may tempt the respective national agencies to work in "escape clauses" or carve-outs from digital agreements, which may result in further widening the intra-ASEAN data regulation schism.

If the member states lean towards parochial national pursuits at the expense of the collective effort, ASEAN's digital development journey would be more arduous and only incremental change will take place when accelerated regional policy adjustments should be the norm. The challenge boils down to whether these countries can strike a delicate balance between national interests and regional goals like enhancing ASEAN economic competitiveness.

Digital Divide and Suboptimal Partnerships

Another crucial aspect of ASEAN's digital development stems from formal digital partnership agreements in recent years. Singapore has concluded the [Digital Economy Partnership Agreement \(DEPA\)](#) with Australia, Chile, New Zealand, and South Korea, and Singapore is part of the [Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\)](#) alongside Brunei, Malaysia, and Vietnam. All ASEAN member states are signatories of the [Regional Comprehensive Economic Partnership \(RCEP\)](#), the largest trade agreement comprising 31 per cent of global GDP and one-third of the world's population.

These partnerships offer immense opportunities for ASEAN's digital economy. For instance, [chapter 12 of the RCEP](#) seeks to strengthen e-commerce companies by fostering conducive online business environments and reducing cybersecurity risks so that they can expand and diversify operations in multiple directions.

But can these partnership agreements maximise ASEAN's digital growth? Critics have observed that the efficacy of these digital partnerships to promote optimal digital growth are [constrained by several factors](#). Both RCEP and DEPA lack dispute settlement mechanisms and enforcement capacities.

Furthermore, RCEP is unable to circumvent the usage of data localisation restrictions arising from national security concerns. Likewise, CPTPP has yet to reach consensus on a viable state-to-state dispute resolution mechanism. These shortcomings can undermine investor confidence, stymie cross-border digital cooperation, and curtail digital investments from ASEAN-based MSMEs.

Moreover, given the [intra-ASEAN digital divide](#), not every member state can benefit substantially from the digital clauses offered by mega-regional agreements. For example, less developed member states such as Cambodia, Myanmar, and Laos with lower internet penetration rates, poor digital infrastructure readiness, and high digital illiteracies may not benefit as much from RCEP compared to Singapore and Indonesia whose greater capacities allow them to reap greater profits from the digital economy.

Therefore, ASEAN's challenge is two-fold. The first is to enhance existing digital partnerships. This is no easy task especially when signatories, including ASEAN member states tend to assert competing sets of nationalistic aspirations and priorities during negotiations, often resulting in suboptimal digital partnership agreements.

The second is on narrowing ASEAN's digital divide so that every country can contribute effectively towards the region's digital development. This requires tremendous intra-regional coordination and investment in rolling out additional digital aid packages to narrow the digital divide among ASEAN member states. However, with [economic nationalism on the rise](#) in Southeast Asia, it remains a challenge for ASEAN governments to prioritise collective pursuits over domestic political considerations.

Digital Development and Regional Resilience

Indonesia, as the 2023 ASEAN chair, has pushed strongly for regional growth to

support the concept of ASEAN Centrality. As President Jokowi Widodo [explains](#), for ASEAN to become the “Epicentrum of Growth” that matters to the world, the organisation needs to bolster regional resilience and generate benefits for the people in the region and the world.

Therefore, even as ASEAN’s digital development landscape faces complex challenges, the region must not lose momentum in tackling obstacles as speedy advancement of a regional digital economy offers significant benefits beyond revenue generation and parochial sensitivities. Among other things, digital development has the potential to contribute towards [decarbonisation and sustainability](#), increasing productivity in [food supply chains](#) as well as enabling [public health services](#) to be delivered in more efficient ways; all of which are necessary in fostering regional resilience and securing ASEAN’s relevance as a growth-centric hub in the ever-competitive world.

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