



Study on the ASEAN Digital Economy Framework Agreement (DEFA)

04 April 2023

**Mapping Study and
Gap Analysis**

Engagement with ABAC



Content

Study background

Key insights from the mapping study

Key takeaways and next steps

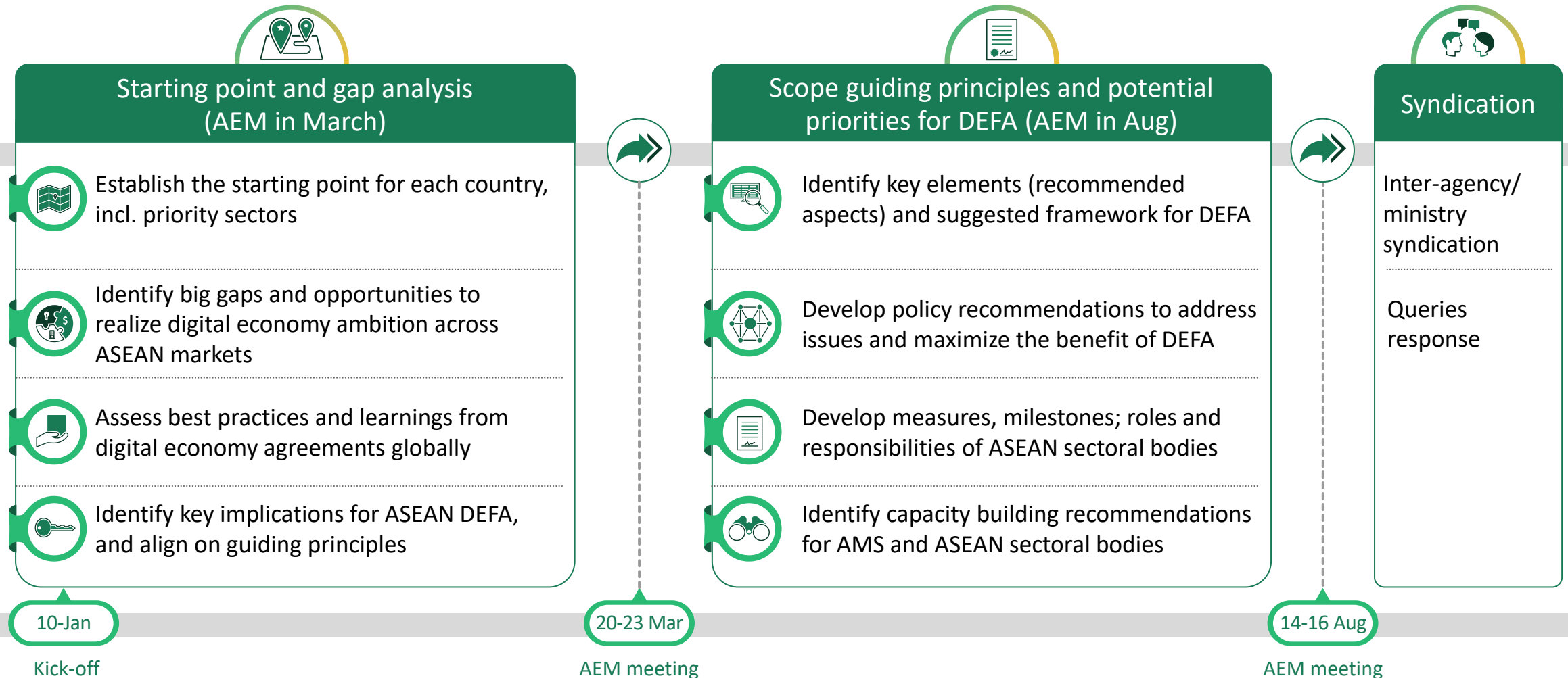
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Key takeaways and next steps

Over 6 months we are laying groundwork for the development of a DEFA in ASEAN



Study to provide a foundation to facilitate development of a future Digital Economy Framework Agreement (DEFA)



What the study will **DO**

- Size the **potential value** which a DEFA can unlock
- Benchmark existing global DEAs to **identify best practices**
- **Uncover key priorities and gaps**, and review ASEAN's current **digital integration efforts**
- **Establish guiding principles** to assist ASEAN in conceptualizing a future DEFA
- **Provide direction** on intra-region coordination to accelerate and maximize digital economy potential



What the study will **NOT DO**

- Develop a draft (or final) DEFA
- Negotiate DEFA elements, clauses or specific content
- Provide legal advice on DEFA topics
- Propose any national initiatives e.g., on digital innovations, regulations or investments

Some of these may be covered **AFTER** completion of study as part of DEFA negotiation process



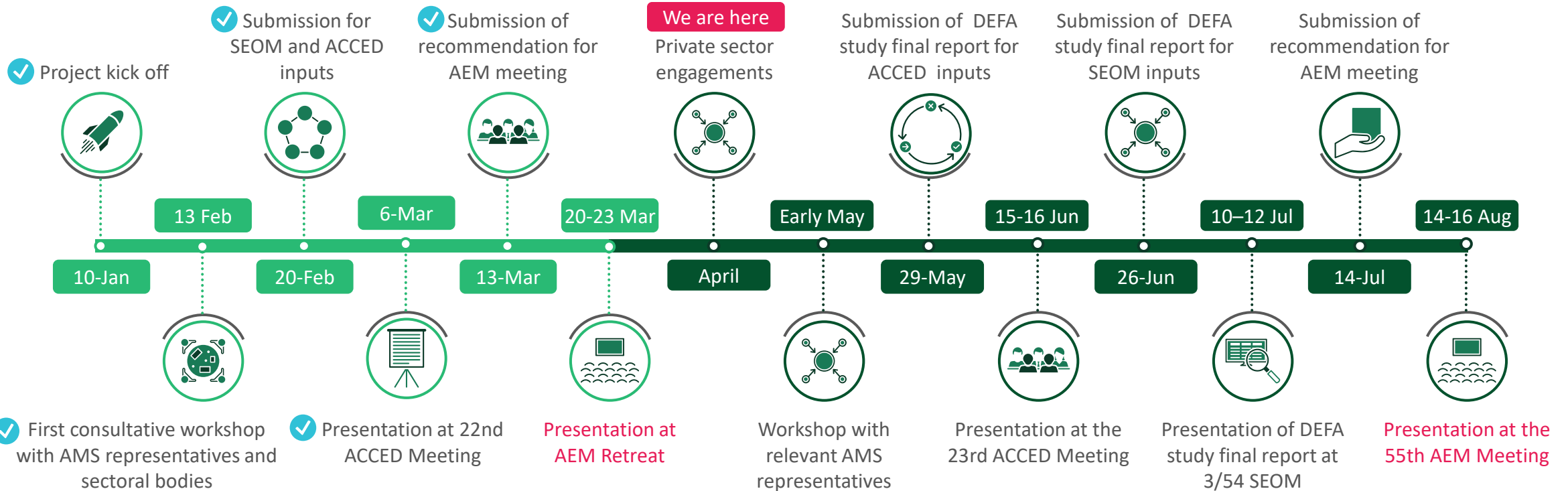
Guiding principles

- 1 **Impact first**: Target big unlocks and barriers to drive impact
- 2 **Inclusive growth for ASEAN**: Ensure "no one is left behind"
- 3 **Build on progress made by ASEAN**: Introduce a disruptive mindset to reimagine the future
- 4 Develop interactively **with stakeholder inputs** (incl. sectoral bodies, AMS, private sector) **and geo-political considerations**
- 5 **Parallel consensus-building and contingency planning**: Plan for the North star, contingency and middle grounds

Key milestones as we develop analysis further and engage stakeholders

Starting point and gap analysis

Scope guiding principles and potential priorities for DEFA



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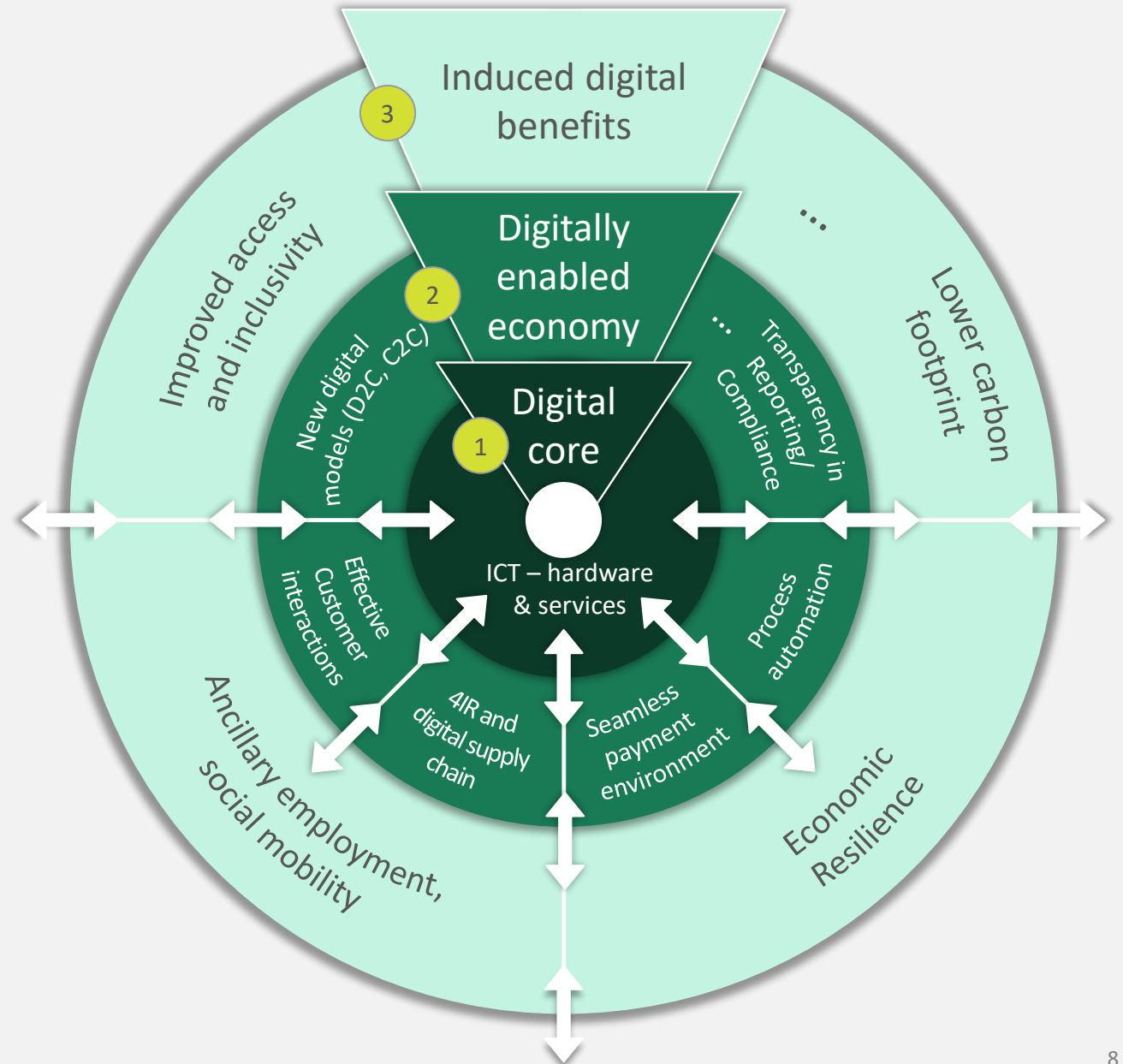
➤ Key insights from the mapping study

Key takeaways and next steps

What is a digital economy?

International organisations describe 'digital economy' in different ways

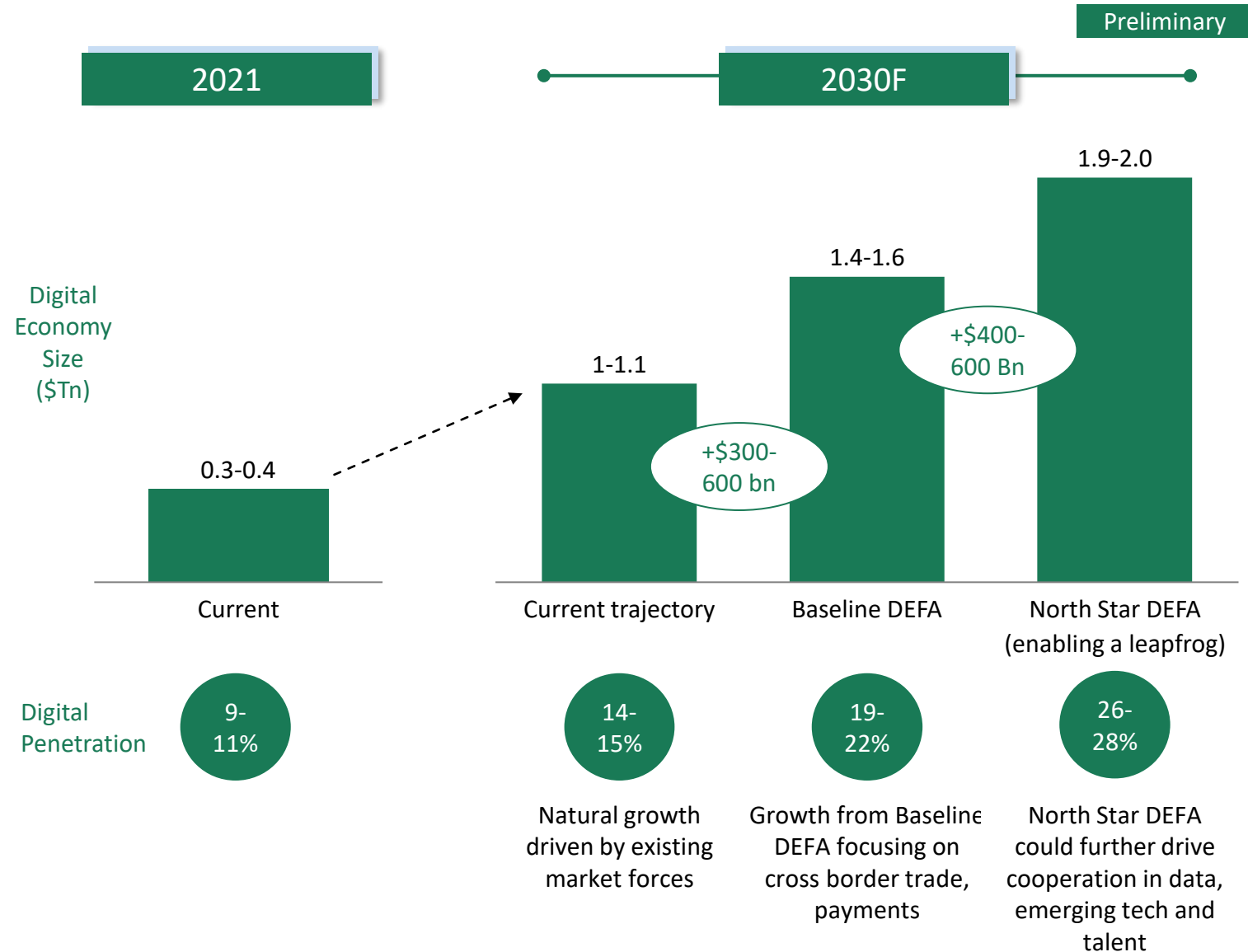
We believe a broader view is essential to unlock the full potential





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

An effective DEFA could double the value of ASEAN's Digital Economy to **~\$2Tn**



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



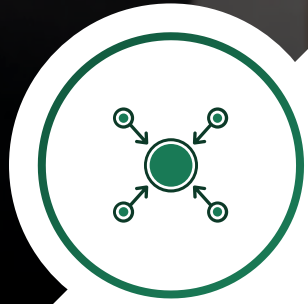
Positive climate impact

Estimates show, if brought to scale, digital technologies could potentially reduce emissions by 5-8% in three highest-emitting sectors¹ by 2030.



Improved resilience

Economies with high digital readiness showed better resiliency to crisis during COVID. This was also true to businesses/companies as well; increasing the need for more digital inclusivity



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

*1. Energy, materials and mobility
Source: WEF, IDC, IMD World Digital Competitiveness Ranking 2021, World bank, Bloomberg, BCG Analysis*

DEAs we saw prioritize big unlocks and enablers that can drive impact at scale

Must have



Digital Trade

- Paperless Trade for all trade admin. documents
- Open government docs & procedures on x-border trade
- Single windows implementation
- Expedited customs procedures for express shipment

E.g., RCEP



Payments and E-Invoicing

- Technical interoperability payments and invoicing systems
- Compliance with international legal framework & comparable legal requirements
- Promote Open competition & innovation

E.g., DEPA



Cross-border E-commerce

- Collaboration to promote E-commerce
- Best practices exchange in domestic E-commerce's legal & policy frameworks
- Mutual recognition of digital certificates
- Non-discriminatory treatment on digital products

E.g., AANZFTA



Data protection and privacy

- Common data privacy & data mobility standards with trust
- Open, regularly updated Government data
- Personal data protection

E.g., DEPA, UK-EU



Digital ID and Authentication

- Cross-border technical interoperability of ID and e-signature
- Recognition of legal validity & effects of digital IDs and signatures between all parties

E.g., USMCA, CPTPP



Cooperation of emerging topics

- Risk-based, tech neutral governance & regulations
- Promotion of ethical, trusted, safe and responsible development and use of emerging technologies

E.g., UK-SG DEA



Cybersecurity

- Common cybersecurity standards
- Collaboration to recognize & prevent potential threats
- Regional and national CERTs
- Consumer protection and fraud

E.g., DEPA



Talent Mobility

- Digital talent movement
- Movement of investors and corporate transferees
- Short-term business visitors
- Others ...

E.g., AANZFTA

Emerging topics



Digital inclusivity

- Participation, contribution and benefits for all people and businesses
- SME's capability building collaboration; trade and investment opportunities
- Barriers' alleviation in accessing digital and digital economy

E.g., UK-SG DEA






Climate

- Envi. cooperation
- Protection (e.g., ozone, marine envi., air quality)

E.g., USMCA

Areas such as talent, emerging tech and privacy are not as well covered because of political sensitivity, broader considerations and relative novelty

Key challenges faced in topic areas

-  **Talent Mobility**
 - Issues related to labour rights and migration can be **politically sensitive**
 - Some FTA/DEA have limited scope and **different priority** (e.g., remove trade barriers)
-  **Collaboration on emerging topics**
 - Emerging topics (e.g. AI, Crypto) are **technically complex** due to its evolving nature
 - **Diverging perspectives** on emerging topics (e.g., data free flow vs IP protection)
-  **Data privacy**
 - **Lack of common agreements** on definitions, boundaries and approaches to protecting data privacy
 - Some regions already have **existing regulations** in place (e.g., GDPR)

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Pacific Trade deal puts profits over people – Labor activists


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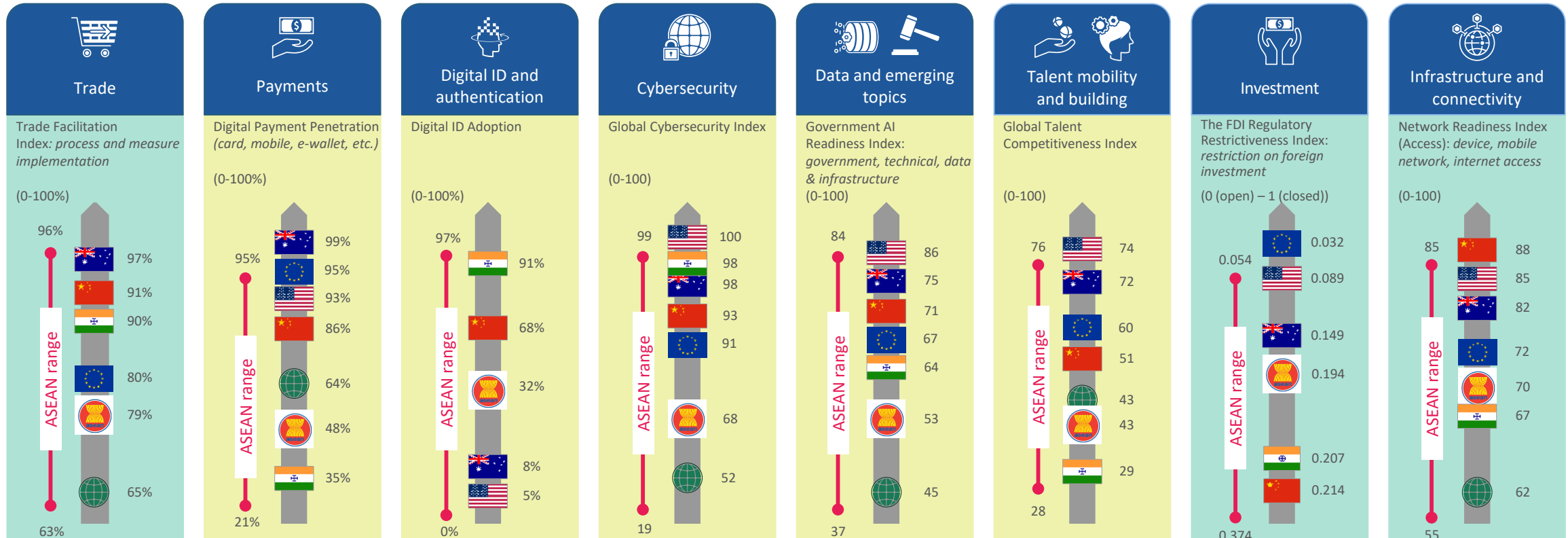
Existential gap: Digital/AI Acceleration and the missing Global Governance Capability

Centre for International Governance Innovation
- 

Looming Free Trade Agreements pose threats to privacy



ASEAN outperforms global average in many categories; 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)

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➤ Key takeaways and next steps

Summary: Key enablers/input variables to address across core DEFA provisions, supported by capability builders in member states

Core DEFA provisions

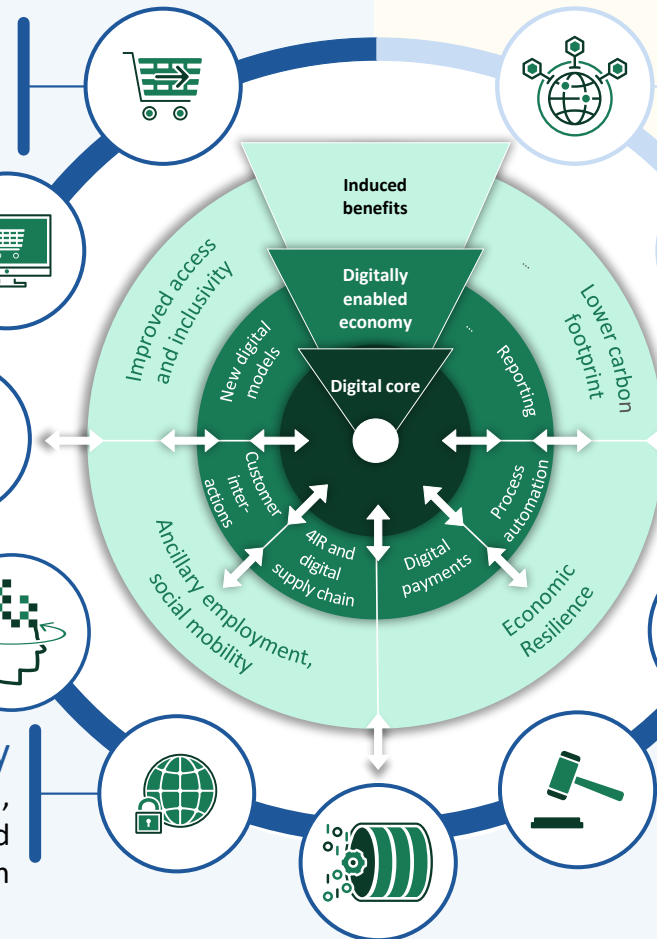
Digital Trade
Paperless trade, interoperable single windows, expedited open government documents

Cross-border E-commerce
Fair treatment of digital goods and services, facilitation for cross-border small shipments, dispute resolution

Payments and e-invoicing
Interoperable e-invoicing systems, comparable regulatory requirements & barriers

Digital ID and authentication
Technical interoperability, mutual recognition & legal standing

Online safety and cybersecurity
Online consumer protection, fraud protection, Alignment on cybersecurity standards and protections; cross border cooperation



AMS Capability builders

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









Talent mobility
Labor mobility and remote working for digital talents and entrepreneurs, accreditation

Cooperation on emerging topics/innovations
Regulating emerging technology (e.g., AI), Mechanisms to address innovations that impact function of DEFA

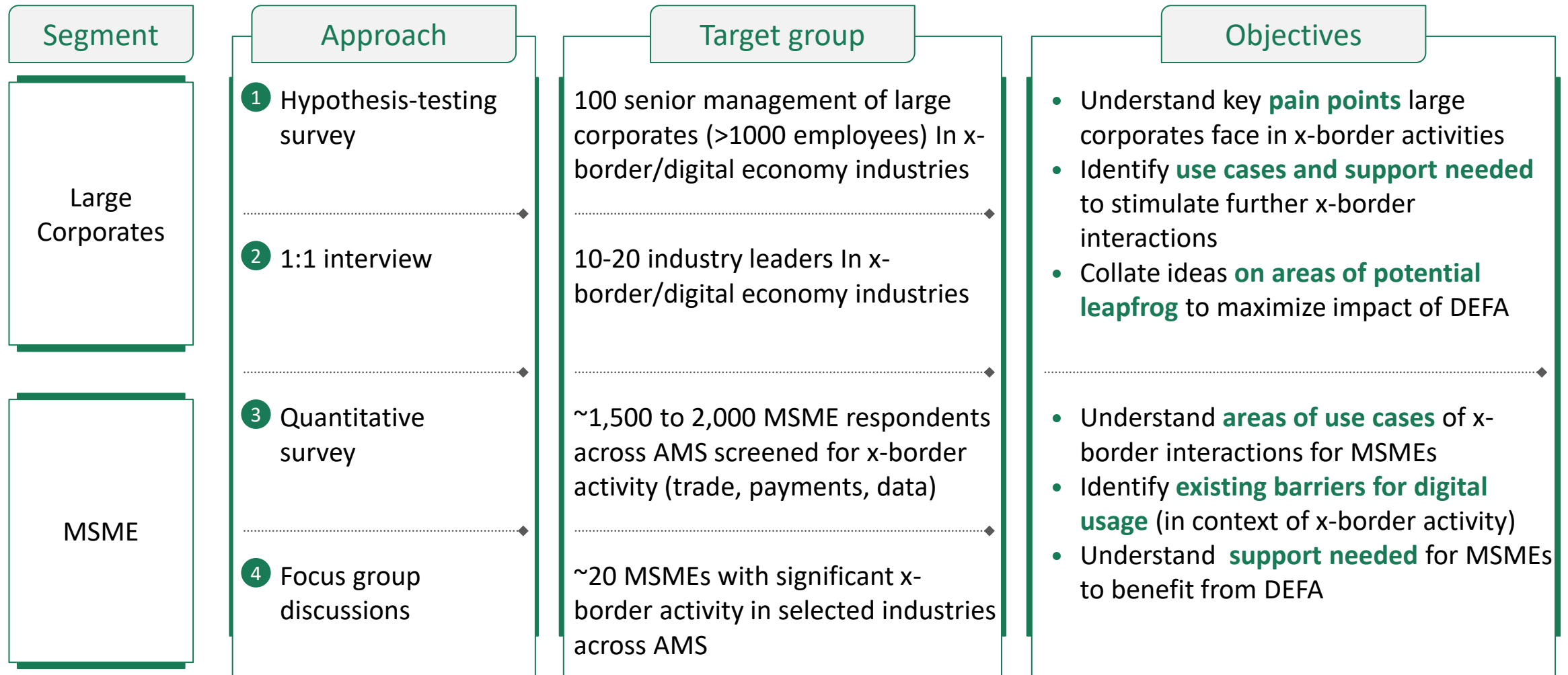
Data protection and privacy
Personal data protections, common data classifications, source code, cross border data flows

Discussion Question: What are important key elements to drive Northstar DEFA?

Preliminary

Core DEFA Provisions		Key sub-provision areas			
	Digital Trade	Acceptance of e-trade documents	Adoption of standards and interoperability measures	Availability of trusted exchange platform	Promotion of use and collaboration on advancing the topics in international fora
	Cross-border E-commerce	Simplified and expedited customs	Non-discrimination of digital goods	Logistics collaboration	
	Payments and e-invoicing	Adoption of standards and interoperability measures	Open architecture support	Non-discrimination of cross-border payment	
	Digital ID and authentication	Adoption of standards and interoperability measures for digital ID and e-signature		Security and privacy of digital ID	
	Online safety and cybersecurity	Capacity building on cyber measures	Legal framework and enforcement for online consumer protection (incl. unsolicited commercial e-messages)		
	Data protection and privacy	Standards for business on data management and protection	Open govt data	Prohibition from restriction of x-border data transfer Prohibition from access to source code Prohibition from local data storage requirement	
	Cooperation on emerging topics/innovations	Adoption of ethical and governance framework based on international guidelines		Mechanism to incorporate emerging topics into DEFA to (future-proofing)	
	Talent mobility	Scope and criteria for digital talents	Application procedure	Mutual digital qualification recognition	
				Regulatory support for remote worker	

Private sector engagement plan: Plan to triangulate inputs from multiple methods to understand pain points, support needed and priority use cases



As a part of private sector engagement, 1 on 1 interview with large corporates will be conducted for deeper exploration of pain-points, motivations, and recommendations

Objective:


To get a deeper understanding of the **reasons** and implications of the **pain points** large corporates face, and their **aspirations** towards digital economy

Target sectors:

Emphasis on sectors which will be most impacted by DEFA:

- 1) involve in **cross-border trade**
- 2) conduct sales of **digital products/services**

1  Technology and telecom

2  Retail, wholesale and trading

3  Logistics

4  Manufacturing

5  Banking and insurance

Proposed list of corporates to be engaged

Country	Company name
Brunei	Wawa Shopping
Brunei	Bank Islam Brunei Darussalam
Cambodia	Pi Pay
Cambodia	Smile Shop
Indonesia	BCA
Indonesia	PT Telkom
Indonesia	GoTo
Laos	Banque Pour Le Commerce: One Pay
Laos	Loca
Laos	Sokxay Group
Malaysia	Axiata Group
Malaysia	Maybank
Malaysia	Sime Darby Bhd
Myanmar	FronttiR
Myanmar	UMG group
Philippines	Mynt (GCash)
Philippines	BDO Unibank

Country	Company name
Regional	Shopee/Sea group
Regional	Lazada
Singapore	Singtel
Singapore	DBS Bank
Singapore	UOB Bank Ltd
Singapore	Grab
Singapore	Singapore Technologies
Singapore	ST Telemedia
Thailand	Lineman-Wongnai
Thailand	TRUE
Vietnam	Vingroup
Vietnam	TMA Solutions
Vietnam	FPT Group

Being engaged through AMS/BCG contacts

Note: List of engagements to be further refined. Final engagements to be determined based on availability and time contra



Next steps

- 1 Initiate private sector engagement
 - ☆ 1:1 engagements
 - ☆ Survey for large private sector stakeholders
- 2 Identify priorities for DEFA framework
- 3 Develop measures, milestones; roles and responsibilities for DEFA development
- 4 Identify capacity building recommendations

☆ Areas for ABAC support

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