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GROWING ASEAN'S DIGITAL ECONOMY

BACKGROUND

Southeast Asia has the potential to become one of the world's top five digital economies. One report suggests that the region's digital economy likely reached US\$200 billion in gross merchandise value by end-2022. Digital economy growth is reaching 20% year-on-year, and is concentrated in five key sectors: e-commerce, travel, food and transport, online media, and digital financial services. Online spending is expected to reach \$240 billion by 2025, and \$1 trillion by 2030.¹ As one of the world's fastest growing regions, the Association of Southeast Asian Nations (ASEAN)² benefits from a robust, pro-growth regulatory environment to foster a dynamic digital economy.

The ASEAN-USAID Inclusive Growth in ASEAN through Innovation, Trade and E-Commerce (IGNITE) project works closely with ASEAN to support the growth of ASEAN's digital economy. ASEAN-USAID IGNITE works with ASEAN to ensure that digital services reflect international standards and practices and facilitate e-commerce, especially for micro, small, and medium enterprises (MSMEs). ASEAN-USAID IGNITE also supports ASEAN's effort to digitalize customs documentation to promote more transparent and efficient trade. Building on the momentum of the expanding digital economy, these activities enhance the shared prosperity of ASEAN member states (AMS) and the United States.

¹ Google, Temasek and Bain, e-Economy SEA 2022.

² The Association of Southeast Asian Nations (ASEAN) is a regional organization focused on maintaining regional security and promoting regional integration. ASEAN has ten members: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

PRIORITIES

REGULATORY REFORM FOR THE DIGITAL ECONOMY

ASEAN encourages member states to promote digital payments at the national level and interoperability at the regional level. To expand regional e-commerce, AMS must improve policies and regulations on digital payment, fintech innovation, and open data flows. ASEAN-USAID IGNITE supports the streamlining of cumbersome regulatory approaches to the digital economy and is facilitating more systematic monitoring of progress in building the regional digital economy. These efforts foster competition and innovation while ensuring consumer protection and ease of cross-border trade.

DIGITAL INTEGRATION FRAMEWORK AND ACTION PLAN

The Digital Integration Framework and Action Plan (DIFAP) 2019 – 2025 was adopted by ASEAN in October 2019. Referred to as ‘DIFAP’, this initiative is among the most important policy measures introduced by ASEAN to foster regional economic integration. In 2021, ASEAN-USAID IGNITE conducted a comprehensive review of the progress being made by ASEAN countries in complying with legal and regulatory milestones laid out in the Digital Integration Framework and Action Plan. ASEAN-USAID IGNITE’s “DIFAP Review” launched in 2022 showed that the policy agenda carried out by ASEAN member states is having a real impact, and effectively driving development of an inclusive, integrated, and safe digital economy in ASEAN.

ASEAN DIGITAL INTEGRATION INDEX (ADII)

In 2020, ASEAN-USAID IGNITE developed and introduced the ASEAN Digital Integration Index (ADII). The initial report provided data and analysis that ASEAN member states could use to monitor the progress of digital integration and gauge the development of their digital economies more systematically. The first version of the ADII was approved for release in September 2021, establishing the ADII Report as ASEAN’s first ASEAN digital economy-related index. The index serves as a tool to help ASEAN policymakers and regulators to prioritize resources and focus their digital policy efforts in key areas identified in the index.

ASEAN’S DIGITAL FINANCE ECOSYSTEM

ASEAN-USAID IGNITE is carrying out, at the request of ASEAN, two important research initiatives related to digital payments. The first of these efforts will be an assessment of how ASEAN can achieve cross-border payment targets recently laid out by the G20. The assessment will support ASEAN to align the region’s approach and development of cross-border payments with international standards. ASEAN-USAID IGNITE has also been tasked to undertake a study examining requirements for mutual recognition of digital citizenship identification across ASEAN and assess how national digital IDs might be leveraged to increase financial inclusion across the region.

KEY RESULTS

- Supported ASEAN to systematically review progress in achieving the Digital Integration Framework Action Plan (DIFAP) by all ten ASEAN member states.
- Developed the ASEAN Digital Integration Index (ADII) as a dynamic tool for ASEAN countries to evaluate and benchmark progress in developing their digital economies across key priority areas.
- Carrying out research to assess and align ASEAN countries’ cross-border digital payment ecosystems with international standards.
- Received approval from ASEAN to undertake a detailed analysis of how interoperable digital IDs can be leveraged to expand financial inclusion.

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