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Indo-Pacific Economic Vision: Role of US-ASEAN Digital Diplomacy

By Amalina Anuar

Synopsis

US-ASEAN digital diplomacy reflects continuity under the Indo-Pacific Economic Vision and presents opportunities for growth. Complementary measures and sustained high-level engagements with the US and beyond must be undertaken, however, to unleash the full potential of ASEAN's digital economy.

Commentary

MONTHS AFTER its unveiling, Secretary of State Mike Pompeo furnished details of the United States' (US) Indo-Pacific Economic Vision (IPEV) in July. As the economic prong of the US' larger Indo-Pacific strategy, the IPEV aims to expand Indo-Pacific economic engagement, with Washington reassuring ASEAN of its central position in its latest geo-strategic offering.

The IPEV encompasses multilateral cooperation within three fields: digital economy, energy and infrastructure. Under the Digital Connectivity and Cybersecurity Partnership (DCCP), the Trump administration has pledged US\$25 million as a down payment to "improve [Indo-Pacific] partner countries' digital connectivity and expand opportunities for U.S. technology exports". The DCCP promises to heighten cooperation in cybersecurity capacity-building and promote market-driven digital regulation policies.

Something Old, Something New

More information communication technology (ICT) infrastructure projects are to be pursued via public-private partnerships, while US-ASEAN Connect will receive \$10 million. Under the Innovation Connect pillar, the Digital Economy Initiative involves

research, sharing of best practices via public-private policy engagements and capacity-building.

Content-wise, the newly minted DCCP builds on existing modes of digital diplomacy. From 2015 onwards, the US-ASEAN Telecommunications and Information Technology Senior Officials Meeting (TELSOM+US) involved dialogue and development support for, *inter alia*, broadband infrastructure; IT and innovation policymaking; and bridging the digital divide.

In 2016, US-ASEAN Connect began organising public-private engagements for policy and regulatory framework development.

The consistency infused into the DCCP has its merits. In light of the US' Trans-Pacific Partnership (TPP) withdrawal and ongoing trade tensions, it signals positive overtures through continuity in US' regional digital cooperation. Potential for hedging against China's Digital Silk Road aside, moreover, the DCCP can aid ASEAN in addressing longstanding obstacles to digital economic growth.

Opportunities for Growth

ASEAN's development divide, digital or otherwise, remains significant. A mix of official development assistance from Washington and US businesses can complement current efforts to bolster ICT infrastructure, along with the underlying delivery and soft infrastructure such as logistics facilitation and human capital development.

Partnering with the Vietnam E-Commerce Association, for instance, Amazon now provides its members with an export platform. This can encourage connectivity as envisioned by the ASEAN Economic Community and ICT Masterplan, in line with wider multilateral connectivity goals such as the Asia-Pacific Information Superhighway.

Diverging cybersecurity capabilities across ASEAN also highlight the need for aiding local practitioners in constructing and reinforcing a robust, resilient system to underpin the digital economy. Further, progress on digital trade rules and regulations within international institutions remains slow. Designing regionally comprehensive 21st-century trade architecture can accelerate digitally derived economic growth in ASEAN by reducing uncertainty and improving ease of doing business.

DCCP and Beyond

Though the DCCP provides opportunities to nurture ASEAN's digital engine of growth, it must be complemented by other mutually reinforcing efforts.

Firstly, ICT infrastructure availability has to be matched by accessibility and affordability. According to the World Bank, for instance, Malaysian businesses struggle to adopt digital processes and solutions due to quality and cost issues. These barriers leave Micro, Small and Medium Enterprises— which constitute between 88.8% to 99.9% of ASEAN economies and contribute up to 53% of GDP in some states — at risk in the new economy.

Hence, equally important to mitigating digital divides in non-CLMV countries is the

need to ensure that the digital age encourages inclusive growth rather than exacerbates existing inequalities.

Secondly, collaborative digital regulations should be devised with compatibility and interoperability in mind. This facilitates future integration with frameworks spread across the region's various free trade agreements, including the Regional Comprehensive Economic Partnership and TPP-11, and ASEAN+1 arrangements such as the ASEAN-Australia Digital Trade Standards Initiative launched at the 2018 Sydney Declaration.

This could ensure less frictional and more comprehensive regional governance for key issues such as data sharing, allowing for better capitalisation on the Indo-Pacific's booming e-commerce markets.

Striking Equilibrium

Nonetheless, it remains to be seen how ASEAN will strike an equilibrium between Washington-promoted market-driven digital regulation and ASEAN's own proclivity for market-friendly policies, which occasionally subjugate liberalisation to development goals. With an eye towards building strong international brands, states should generally provide a conducive environment for indigenous businesses to thrive without smothering nascent industries via premature overexposure to global competition.

Yet the Trump administration has, for example, targeted Beijing's Made in China 2025 industrial policy. Dynamics differ as ASEAN has yet to constitute a threat to US tech companies' dominance. However, it is unclear if ASEAN's mixed trade policies — which also feature digital protectionist inclinations— will be tolerated to the same extent as before, given Trump's previous complaints of unfair trade balances at 2017's Asia-Pacific Economic Cooperation summit.

Thirdly, though cybersecurity and US-ASEAN Connect programmes will receive a boost, further cooperation in innovation and digital skills could be explored given their importance in the Fourth Industrial Revolution. This could reduce the sting of any potential attempts at overzealous export promotion to reduce the US current account deficit with several Southeast Asian countries, while also accruing benefits such as higher productivity yields.

Avoiding Past Missteps & Staying the Course

This would also help ASEAN avoid past missteps in development policy. During the late 1990s push towards knowledge economies, some ASEAN countries veered towards becoming outposts for low value-added shared services within global value chains rather than innovative hubs. This is despite international private investment in ICT projects such as Malaysia's Multimedia Super Corridor.

Initiatives for enhancing digital prowess must thus be harnessed strategically to achieve ASEAN's ultimate aim of not only catch-up but cutting-edge growth.

ASEAN can also explore heightening cooperation with existing partners. ICT cooperation is not officially included under the ASEAN-New Zealand 2016-2020 Plan

of Action, for instance. This, despite New Zealand being highly ranked in both the Digital Evolution Index and the Global ICT Development Index that measure national digital economy competencies.

Via the DCCP, the US promises to build upon current initiatives in its digital diplomacy with ASEAN. Certain benefits can be derived from the IPEV, albeit it must be complemented by other multilevel governance efforts. Moving forward, the challenge is to stay the course in sustainably and consistently implementing the high-level IPEV commitment, avoiding a return to prior ad hoc US engagements in Asia for the region's shared prosperity.

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