

## **Report of the NEAT WG Meeting**

### ***Digital transformation as a new driver for socio-economic development***

**Hosted online by NEAT Vietnam**

Tuesday, 7 June 2022

#### **I. Overview**

1. In the context of the Fourth Industrial Revolution, the world is being transformed by new technologies that change how the economy develops and how people live. Digital transformation is accelerating at a much faster and broader scale as a solution for countries to overcome the impact of COVID-19 and other crises. Still, for those unprepared, the digital transformation poses significant risks, especially for those at risk of being left behind.

2. Digital transformation plays a crucial role in economic recovery and development. In the post-Covid-19, the transformation of the digital economy has gained pace around the world. As a result, international cooperation in the digital economy is more urgent as countries are exploring ways to resume their economic activities after the downturn over the last two years.

3. Although the need for cooperation is high, challenges remain in maximizing the benefits of the digital economy. This includes: (i) Inadequate ICT-related legal frameworks; (ii) Lack of digital infrastructure; (iii) Limited digital literacy; (iv) The digital gap between urban and rural areas; (v) Inadequate transport infrastructure and poor delivery system and so on.

4. This new context has required the ASEAN Plus Three (APT) countries to formulate joint agendas and frameworks to better develop the digital economy for economic development. In August 2018, the 50th ASEAN Economic Ministers Meeting adopted the ASEAN Digital Integration Framework. It emphasizes that digital integration is a crucial element, in line with the Master Plan on ASEAN Connectivity 2025, to create a more inclusive ASEAN region and enable ASEAN member states to compete more effectively in the global economy collectively and individually.

5. Some agreements on the digital economy (DEAs) have been signed to create a free digital trade environment between two or more economies. Major modules in DEAs may include artificial intelligence, e-bill, e-payment, paperless transactions,

protection of privacy data, trans-border data, and open government data. These issues are different in the e-commerce chapter of an FTA.

6. The Working Group aims to provide a platform for academics and scholars from NEAT member countries to exchange their knowledge, experiences, and views on the issue of digital transformation. This platform is also expected to be able to create a mutual learning forum that highlights the experiences of each APT country to digitalize their economies and promote regional cooperation in the digital economy. It also attempts to develop and propose a recommendation to establish a better framework for regional cooperation under APT mechanisms for the digital economy.

## **II. Lessons learned**

7. While acknowledging the uniqueness of the status-quo in each APT country, the WG agreed that some best practices are proven to be significant in ensuring the success of policies in digital transformation and regional cooperation to develop the digital economy. In general, it is recognized that emerging technologies offer great potential to drive economic recovery and development, as demonstrated by the ongoing digital transformation that fosters the region's long-term competitiveness and improves the livelihoods of its people.

8. The WG also further stresses the importance of removing unneeded regulatory barriers to the digital economy. An adequate harmonization and facilitation of procedural rules are critical to prevent the technology divide and fragmentation among new countries. In addition, APT countries can share best practices in digital transformation and signing digital economic agreements.

9. The WG believes that the digitalization business environment and policy framework is also a crucial factor that shapes the effectiveness of digital transformation in APT countries. Some APT countries faces challenges to realize the full potential of their policies due to a lack of innovation in corporate culture and business operation, particularly in SMEs.

10. Another lesson is the importance of digital connectivity, as there is a significant difference in ICT infrastructure within the region. For the region, closing cross-country gaps would be substantial for regional cooperation and the Master Plan on ASEAN Connectivity 2025.

11. The WG acknowledges that people are at the center of this transformation. Through digital transformation, the government better serves the citizens, while businesses provide better products and services to their customers. In addition, ordinary citizens can have a more convenient life by using digital technology in their daily life. Meanwhile, there is a problem with the unemployment rate as some jobs will be displaced by digital transformation.

12. The WG believes that the private sector is essential to digital transformation and regional cooperation in the digital economy. In some circumstances, the regulatory framework can sometimes not catch up the technology development as the digital economy develops immensely. Therefore, close coordination between government agencies and technology companies is vital to provide necessary input for the government to ensure that the regulation related to the digital economy is updated.

### **III. Recommendations**

13. The APT governments need to work closely together. The following are key recommendations to promote APT cooperation in establishing a better framework for regional cooperation in the digital economy and fostering APT's economic recovery:

1) Strengthen the solidarity among APT countries and demonstrate political will and commitment to a more robust regional cooperation in the digital economy.

2) Strengthen cooperation and sharing of information, providing technical expertise in training and promoting dialogue on how to set up relevant policies on digital transformation and signing digital economic agreements, which can ensure the compatibility among different technology systems to prevent the technology divide and fragmentation.

3) Improve both the business environment and policy framework for digitalization and digital transformation, which would require holistic changes in corporate culture and business operations, mainly targeted at SMEs.

4) Develop policies for the digital transformation of APT member countries. This includes:

a. Invest in disruptive R&D programs.

b. Create digital talents and appropriate IT infrastructures.

- c. Develop the startup ecosystem.
  - d. Provide support and guidelines to encourage the private sector to adopt cutting-edge technologies.
  - e. Digitalize government services to create robust and effective e-government.
  - f. Enable firms (particularly SMEs) to participate in international trade (via cross-border e-commerce) through international agreements.
  - g. Invest in digital (soft) and hard infrastructure development.
- 5) Develop policy measures to ensure this transformation will not damage our achievement of poverty reduction. This includes:
- a. Unemployment compensation.
  - b. Re-skilling and re-tooling of people to guide them to a digital society.
- 6) Strengthen science and technology cooperation and transfers on technologies proven essential in dealing with pandemics, such as AI, robotics and drones, and digital and mobile technologies.
- 7) Promote the development of regional digital economic agreements (DEA), so that countries within the region can cooperate better to: enable trusted cross-border data flows and facilitate the regional development of new products and services by promoting data-driven innovation across borders; build regional standard and trust among cross-border digital systems and facilitate the development of inclusive participations in the digital economy.

**Annex**  
**List of Participants of the NEAT WG Meeting**  
*Digital transformation as a new driver for socio-economic development*  
**Tuesday 7 June, 2022**

13:30-14:00	<b>Registration and Technical Preparation</b>
14:00-14:10	<b>Introduction of Participant</b>
14:10-14:15	<b>Group photo</b>
14:15-14:20	<b>Welcome and Opening Remarks</b> Associate Professor Nguyen Anh Tuan, Deputy Director-General of the Institute of Foreign Policy and Strategic Studies, DAV
14:20-15:20	<b>Session 1: Sharing Insights and Experiences</b>
	<p><b>Speakers</b></p> <p>NEAT- Brunei (TBC)</p> <p>NEAT- Cambodia (TBC)</p> <p>NEAT-China  Prof. Andy Lee, Professor and Executive Deputy-Dean, the Institute of Regulatory Science for Medical Devices at Sichuan University.  <i>Topic: The strategy and roadmap of regional digital economic collaboration</i></p> <p>NEAT- Laos  Mr. Somphay Vongmahachack, Director of Human Resource Development Division, Institute of Foreign Affairs  <i>Topic: Digitalization Enhances Lao Socio-Economic Development</i></p> <p>NEAT-Malaysia  Dr. Patrick Soh Chin Hooi, Head of Department, IT Management Unit  Faculty of Management, Multimedia University, Cyberjaya</p>
15:20-15:50	<b>Discussion</b>
15:50-16:00	<b>Break</b>
16:00-17:20	<b>Sharing Insights and Experiences</b>
	<p><b>Speakers</b></p> <p>NEAT-Indonesia  Dr. Fithra Faisal Hastiadi, The Executive Director of Next Policy, a national research think tank based in Depok.  <i>Topic: Post Covid recovery: harnessing digital platforms</i></p> <p>NEAT-Japan  Prof. KAWAI Masahiro, Councilor and Distinguished Research Fellow, JFIR and Representative Director, Economic Research Institute for Northeast Asia (ERINA)</p>

	<p>NEAT-Singapore  Dr. Li Yao, Research Fellow, East Asian Institute, National University of Singapore  <i>Topic: Promoting the Digital Economy Through DEAs</i></p> <p>NEAT-Vietnam  Dr. Le Trung Kien, Assistant Director-General, Director of Center for Security and Development Studies, Institute for Foreign Policy and Strategic Studies, DAV</p>
17:20-17:50	<b>Discussion</b>
17:50-17:55	<p><b>Wrap Up and Closing Remarks</b>  Associate Professor Nguyen Anh Tuan, Deputy Director-General of the Institute of Foreign Policy and Strategic Studies, DAV</p>