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Digital Prosperity for Asia

Strengthening Asia's Digital Ecosystem Through Trust, Inclusivity, and Opportunity

Policy Recommendations

Prepared by Digital Prosperity for Asia (2023)

Digital Trust

Issues

Digital Trust is crucial for the continued growth of the digital economy

Today, the world is increasingly reliant on digital technologies and services in our daily lives. Digital Trust is the confidence that people need to have in the digital technologies and services, and the organizations providing them, in order to transact and interact safely and securely online. It is crucial for the continued growth of the digital economy and must be underpinned by internationally recognized security and privacy policies and standards.

- Individuals need to trust that their data is protected, that their online identities are secure, and that they can interact safely online.
- Businesses need to demonstrate their competence and commitment to keeping their customers' personal data and transactions private and secure.
- Governments need to establish a regulatory environment that promotes digital trust, including strong data protection laws, risk-based cyber-security measures, and enabling seamless cross-border data flows. Governments should avoid protectionism and other measures that ultimately undermine security by limiting access to best-in-class technology solutions.
- Businesses should be empowered to access the latest digital technologies and services to remain competitive and innovative.

Security and privacy are foundational pillars of Digital Trust

Security: Risk-based international standards provide a common language that facilitates trade, accelerates innovation, and enables people to work together toward greater common goals that cut across disciplines and borders.

By contrast, a patchwork of conflicting national technical and legal standards raises compliance costs and deters market entry, and thus may affect the growth and expansion of small businesses.

Governments should avoid imposing overburdensome data security requirements that extend beyond what is typically covered in data protection or government data classification frameworks. This is likely to result in over-classification of data, leading to confusion and more burden on businesses. Further, if standards for data protection and security are not aligned across or within markets, the complexity of compliance could result in an increase in security risks.

Privacy: Individuals need to be able to trust the organizations with which they share their personal data. Organizations need to have the appropriate security policies put in place within their digital systems to protect their customers.

Individuals are concerned about data breaches and cyberattacks. But governments should not resort to reactive reactions such as imposing data localization requirements.

- Governments need to recognize that physical location of data has no bearing on risk mitigation or cyberthreats. Data localization policies simply increase costs and barriers to entry for service providers and limit the availability of services to consumers, including preventing the country from benefiting from digital trade.
- Additionally, these requirements might undermine cybersecurity instead, as businesses and consumers could be prevented from accessing the most state-of-the-art secure infrastructure, applications, or software. Furthermore, the cross-border sharing of data is needed to identify systemic vulnerabilities and for the security community to work together to address these vulnerabilities.

Digital Trust

Security and privacy are foundational pillars of Digital Trust *(continued)*

We need to ensure that good data protection policies and best practices are being adopted and that the responsibilities of data processors and data controllers are clear. Governments should also ensure that there are interoperable data privacy frameworks in the region.

Recommendations

For governments to harmonize data privacy and security frameworks through alignment and adoption of international standards and best practices.

For governments to adopt risk-based and accountability-driven approaches to cybersecurity.

For governments to not impose data localization requirements, which could end-up undermining cybersecurity and increase costs and barriers for businesses.

Fair Procurement

Issues

Fair, effective public procurement systems that are adaptable to new and emerging technologies are needed to support the growth of the digital economy

Lower costs

Fair procurement principles and practices provide an opportunity for businesses of all sizes, especially SMBs, to participate in government tenders on a level playing field. This widens the pool of suppliers that can bid on a particular project.

- This results in mutual benefits – governments reap the benefits of a competitive business environment by enjoying lower costs. SMBs also benefit as they can bid for contracts, which helps promote job creation, drive productivity, and foster innovation.

Economic growth

Fair procurement principles and practices contribute to a vibrant private sector, helping governments get the most out of its investments into digital technology, which in turn supports economic growth.

Supply-chain resilience

Inclusive procurement principles and practices allow both local and foreign SMBs to take part in the public tender process. This can strengthen the diversity and resiliency of the supplier base and help the government mitigate supply chain risks.

- Restrictive procurement requirements can undermine the long-term competitiveness of domestic markets in the long run. It increases the vulnerability of supply chains, encourages anti-competitive behavior, and increases inflationary pressure on the prices of goods and services. In turn, this leads to inefficient outcomes for consumers and businesses through higher consumer prices and misallocation of resources.

Fair Procurement

Fairness, level playing field, and freedom of choice principles are key in supporting a more inclusive procurement process

Fairness, level playing field, and freedom of choice principles should be incorporated into procurement requirements to ensure a competitive and fair digital environment, including preventing the restriction of customer choice, and enabling access to a wide variety of digital applications.

- These principles are required to foster innovation, enhance efficiency, and drive down unnecessary costs for businesses. Conversely, the inability to freely select providers will have harmful impacts, such as higher costs to businesses, limited access to new innovations, and an increase in security breaches.

Recommendations

For governments to adopt digital technologies when conducting public procurement to simplify the process, encourage openness and inclusiveness, make processes more efficient, and trim down costs.

For governments to avoid imposing strict local resourcing requirements and remove public procurement restrictions on foreign firms to develop a more competitive tender process.

For governments to set out clear and non-discriminatory guidelines for public procurement tenders, especially on technical and security requirements. Adopting the principles of industry-led fairness, level playing field, freedom-of-choice, and highlighting best practices for software procurement are important to ensure that the emerging digital economy remains competitive and fair.

Emerging Technologies

Issues

Emerging Technologies are key in the digital transformation of economies

Emerging technologies, such as AI and blockchain, are rapidly changing the way we live and work, and will continue to do so. Emerging technologies are crucial in increasing the productivity and efficiency of the traditional workplace. For businesses, the adoption of emerging technologies will benefit them greatly due to stronger economic growth.

According to a WEF report, 97 million new job opportunities and roles are expected to be created by 2025 due to the transition towards market areas that did not previously exist. Such a pivot will create new and high value-added jobs within the economy.

Emerging Technologies

A skilled workforce is crucial in reaping the benefits that emerging technologies may bring

According to studies, almost 150 million workers across 6 APAC countries (Australia, India, Indonesia, Japan, Singapore, and South Korea) make use of digital skills in their jobs. This number will continue to increase rapidly, and countries will have to develop and nurture digital talents to fill in the roles that are set to be created.

- To keep pace with the rapid digitalization of the economy, a skilled workforce that is equipped with the relevant skills is crucial to take advantage and reap the full benefits of the opportunities created by these emerging technologies.

Governments need to embrace a culture of innovation by adopting regulations that adapt to emerging technologies

As growth of such emerging technologies typically outpace the legislative process, regulators should take a light-touch approach to regulating such technologies. In the first instance, general guiding principles will encourage the growth of such technologies in the right direction while setting guardrails. As the technology develops and regulators are ready to implement legislation, regulators should ensure that any such legislation is technology-neutral to future-proof legislation.

- The industry and governments need to have regular consultations to understand the needs of businesses on the ground and ensure that policies and regulations are relevant and do not create unintended negative outcomes for both industry and end-users. Cooperation across governments, industry, and academia is key in the safe and ethical adoption of emerging technologies and R&D, such as Artificial Intelligence (AI).

Recommendations

For governments to address the skills gap and build up the local talent pool through digital skilling programs and activities.

For governments to establish public-private partnerships to research into policy governance frameworks that embrace innovation and understand key policy barriers when it comes to incorporating emerging technologies.

For governments to set up regulatory sandboxes to allow prototypes and test new approaches through partnerships with Digital Small and Medium Businesses (Digital SMBs) within controlled environments that foster innovation.

Digital Trade

Governments should promote the development of digital trade

Governments should endeavor to have local regulations aligned with international best practices and seek to enable a conducive digital trade environment that fosters innovation, economic growth, and job creation.

Digital Trade

Governments should promote the development of digital trade *(continued)*

- Unnecessary restrictions, which arises out of a patchwork approach, on cross-border trade in digital goods, services and market entry, leads to regulatory complexity and hinders SMEs from market access and expansion.
- The adoption of e-commerce and digital payment solutions help enable SMEs to participate more effectively in digital trade and reach new markets.

Processes for market entry should be clear, direct, and transparent

A transparent and fair regulatory framework governing the trade in digital goods and services, such as licensing requirements and processes, is important to ensure a level playing field for all businesses. This facilitates access to innovations, cost-savings and increased productivity.

- By enacting clear regulations with minimal regulatory ambiguity, governments are able to provide business clarity and legal certainty – both of which minimizes negativities such as intellectual property loss and threats to consumer protection.
- Aligning with globally recognized standards can help reduce regulatory complexity, such as the Agreement on Trade Facilitation under the World Trade Organization to modernize and streamline customs processes, and the UNCTAD guidelines for the adaptation of the Automated System for Customs Data.
- Policies to recognize the legal equivalence of paper-based and electronic forms of exchange are crucial in enabling cross-border trade in goods and services.
- A digital single window system ensures efficient interactions between importers, exporters, and authorities, and also establishes a channel for recourse in case of loss or detriment related to digital trade.

Promote cross-border collaboration and cooperation among governments, industry stakeholders, and academia

Cross-border collaboration and cooperation among governments, industry stakeholders, and academia helps foster knowledge sharing, capacity building, and best practices in digital trade. Such collaborations can be realized through public consultations or industry engagements to gather considerations and suggestions for digital economy policies and to avoid inadvertent effects on digital trade.

- Digital rules and standards should first take reference from international standards, and where none is available, be aligned across the region to minimize regulatory barriers to cross-border trade.
- Interoperability between digital systems should be encouraged to allow businesses to access the tools and services that best suit their needs and ensure that the digital economy remains competitive

Digital Trade

Recommendations

For governments to adopt regulations that seek to facilitate, instead of restrict, the digital trade in goods and services.

For governments to develop regulations that are aligned with globally recognized best practices and standards.

For governments to minimize ambiguity and complexity in regulations. Governments should be transparent and inclusive in the development of regulations and consult with industry and academic stakeholders.

Sustainability

Small and medium enterprises (SME) play a critical role in helping a country achieve its Sustainable Development Goals (SDG)

Today's economic success can no longer be measured through traditional financial metrics alone. Equally, if not more importantly, countries need to be able to drive long-term sustainable growth. Strategies for spurring economic growth must go hand-in-hand with reducing inequality, tackling climate change and preserving our environment and natural resources.

- Small and medium enterprises (SME) have a critical role to play in this. SMEs account for over 90% of the APAC economy and employ between 60 to 80% of the regional workforce. SMEs are also present in the value chains of larger corporations.
- Therefore, SMEs are a key player in the economy, and the sustainability of SMEs will affect the sustainability of larger corporations and the country's economy.

Governments should partner SMEs to enable green transformation

Advancements in technology can help SMEs become more sustainable, e.g., using data driven platforms to optimize energy use, conduct fault detection and carry out predictive maintenance as well as workforce and equipment productivity enhancements.

Such technological advancements can help SMEs be more energy efficient and will help drive the growth of the green economy in the region.

Sustainability

Recommendations

For governments to support SMEs to access and adopt sustainable technologies, such as through public-private partnerships in funding research and development; and finding technological tools for industries to achieve the SDGs. Collaboration and knowledge-sharing are essential for advancing sustainability in the region.

For governments to provide incentives and financial support for SMEs to adopt green technologies. Green financing, such as offering low-interest loans, grants, and tax incentives for businesses that invest in sustainable practices, can help SMEs make the necessary investments towards a more sustainable future.

For governments to continue to invest in energy efficiency and proactively seek to expand the market availability of renewable energy. This can be through increasing corporate renewable energy investment options and supporting market structures that facilitate direct procurement between suppliers and corporate customers.

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