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Digital Connectivity to Boost Post COVID-19 Recovery in ASEAN and the Role India Can Play

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The catastrophic impact of the COVID-19 pandemic on ASEAN's economy has made it inevitable for the member states to act quickly in the direction of improving digital connectivity in the region. The digitization of MSMEs and responsible investment in agriculture are indispensable in ASEAN's journey towards sustainable economic recovery. There is an urgent need to reduce the digital infrastructure gap between member states and bringing consensus on the issues of cross-border data flows in order to build a digitized economy. Cooperation with India in the areas of tech startups, e-commerce, e-services, and FinTech can contribute in many ways to strengthen ASEAN's economy.

1. Introduction

The Coronavirus pandemic from the past year has disturbed the ASEAN's growth momentum like never before. The services sector, especially tourism, and Micro, Small, and Medium Enterprises (MSMEs) have been affected badly, compared to large-scale manufacturing enterprises. Restoring the growth rate to pre-pandemic levels is crucial for ASEAN to move towards becoming the fourth-largest economy in the world. ASEAN in its quest to find out the exit strategy from economic disaster caused by pandemic has identified 'Accelerating Inclusive Digital Transformation' as one of the five broad categories to focus on in ASEAN Comprehensive Recovery Framework (ACRF) 2020.¹ Within this category it has prioritized e-commerce, e-services, digital connectivity, the use of Information and Communication Technology (ICT) in education, and digital transformation of MSMEs as key areas to focus on. Improving the digital infrastructure and connecting it to the trade activities can drastically help ASEAN's journey in economic recovery. According to the ADB report, In Indonesia alone, the

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technology transformations can add US\$ 2.8 trillion to the economy by 2040. ² Thus, post-COVID-19 recovery is in many ways dependent upon the improvements in the digital ecosystem of the region.

2. New Opportunities

The cross-border real-time retail payments can play a big role in the economic integration of the region and ASEAN expects to introduce such digital payment connectivity across the region by 2025. The ASEAN Working Committee on Payment and Settlement Systems (WC-PSS) has completed implementing policy guidelines (IPG) of the ASEAN Payments Policy Framework for Cross-Border Real-Time Retail Payments. ³ In this direction member countries are putting efforts towards interoperability of standardized quick response (QR) code for payments and other innovative real-time remittances technologies. Bank of Thailand and the Monetary Authority of Singapore (MAS) have agreed to link up their respective national retail payment systems, thus paving the way for real-time cross border payments between two countries, and this is expected to go live by mid-2021.⁴ Similar links are being developed between Lao PDR-Thailand and Cambodia-Thailand.⁵ ASEAN is one of the fastest-growing internet markets in the world. It is projected that with 1,25,000 new internet users adding up each day, ASEAN's digital economy is set to add US\$ 1 trillion to the regional GDP by 2030. ⁶ Amid pandemic work from home, online classes and e-shopping have become a new normal and this digital adoption by individuals and businesses will outlast the pandemic.

The two key areas that need immediate attention are MSMEs and the agricultural sector. MSMEs contribute between 51.7 per cent and 97.2 per cent of total employment in the region and account for between 30 per cent to 53 per cent of GDP.⁷ However, MSMEs that constitute a significant portion of the ASEAN's economy are yet to fully utilize the digital services in their businesses. Therefore, empowering them to effectively utilize the new digital economic channels such as e-commerce and e-payments is much needed and this can drastically increase their revenue generation. Similarly, revitalizing the big manufacturing industries through advanced technologies such as 5G services can greatly help in remote monitoring of production activities with high speed and efficiency.

Agriculture is the main source of income in major parts of Cambodia, Lao PDR, Myanmar, and Vietnam (CLMV) countries and it accounts for almost a third of the total employment in the ASEAN region. The impact of the COVID-19 crisis on the agricultural sector has exposed the vulnerabilities in the food systems and has badly affected small food producers' livelihoods. Thus, increasing investments in technologies that help small farmers is very important to move towards building a sustainable food production base. In this regard implementing the existing policy instruments such as "ASEAN Guidelines on Promoting Responsible Investment in Food

Agriculture and Forestry (ASEAN Guidelines on RAI)” that was adopted in 2018 holds the key to develop sustainable agriculture in the region.

The two key challenges for building efficient digital connectivity in ASEAN are (i) Uneven ICT infrastructure and gap in digital awareness; and (ii) Lack of consensus on the governance of cross-border data flows and cyber security norms. The ICT-related infrastructure is uneven both within and among member countries. For instance, network coverage, measured by Internet penetration is 81 per cent in Singapore, whereas it is just 22 per cent in Lao PDR.⁸ Similarly, speed of the internet is many times higher than the speed of the internet in Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) countries. Within individual member countries, the digital divide between rural and urban areas is also high. At the same time, ASEAN countries lack consensus on regulating cross-border data flows. Brunei and CLMV countries are yet to come up with domestic laws of personal data protection laws and regulations. All these factors will hinder the digital integration of ASEAN’s economy, and thus needs immediate attention to sort out these issues. At a time when ASEAN is putting enormous efforts to build a digital economy, it becomes far more important to bring regulatory norms on cyber threats. Because of the disparity between ASEAN members in terms of digital infrastructure, if one weak link faces a cyber attack it will have an enormous impact on other members as well. Immediate efforts to sort of these issues are a must for the development of a sustainable digital economy in Southeast Asia.

3. India’s Role in the Digitization of ASEAN Economy

Being a strategic partner, for two decades India has been cooperating with ASEAN member states especially with CLMV countries in various ICT-related capacity-building programmes. Myanmar being the gateway of Southeast Asia for India, New Delhi has launched various projects such as the establishment of the Myanmar Institute of Information Technology (MIIT) at Mandalay and the India-Myanmar Center for Enhancement of Information Technology Skills (IMCEITS) at Yangon. In the telecommunications sector, the microwave radio link on the Rhi-Mindat route project worth US\$ 6.2 million has been completed in Myanmar by the Government of India supported Line of Credit (LoC).⁹ Similarly, India has launched Centres of Excellence in Software Development and Training (CESDTs) in Cambodia, Lao PDR, Myanmar, and Vietnam. India is also funding the ‘Child Online Risks Awareness Campaign’ and ‘Building Capacity on Digital Public Services Implementation and Cyber Security for Government Agencies’ as Quick Impact Projects in Cambodia in 2020.¹⁰ The achievement of Philippines in the field of the IT-BPO sector is noteworthy. Many Indian companies such as WIPRO, TCS, Infosys etc. have set up their BPO operations in the Philippines. Although in recent years the IT-BPO sector has been strongly established in the ASEAN region, still there is enough potential for growth in this sector, especially in the CLMV countries.

In the post COVID-19 period, there is a wide range of scope for cooperation in the areas of e-commerce, artificial intelligence, FinTech, and cyber security. During the 17th ASEAN India summit in November 2020, Prime Minister Narendra Modi highlighted the importance of greater physical and digital connectivity and he also reiterated India's offer of US\$ 1 billion line of credit for ASEAN connectivity. ASEAN and India are among the fastest-growing markets for e-commerce with a projected volume of US\$ 90 billion and US\$ 165.5 billion, respectively by 2025.¹¹ Thus, there is significant scope for India to invest in the e-commerce industry of ASEAN.

E-commerce does not work without e-payments, and, therefore, the role of FinTech systems becomes crucial, and this is another area where there is high scope for cooperation. India has made an impressive performance with Digital Payment Systems in the last few years. In 2020, the highest numbers of real-time online transactions in the world were processed in India. In this direction, India and Singapore have already created a Joint Working Group (JWG) on FinTech and thus paving way for exchanging best practices by sharing experience on policies and regulations related to FinTech. The National Payments Corporation of India (NPCI) of India and the Network for Electronic Transfers (NETS) of Singapore have come together to enable cross-border payment linkages between India's Immediate Payment Service (IMPS) and Singapore's PayNow.¹² At the same time NETS and NPCI are working to enable usage of UPI-based payments app BHIM at NETS merchants in Singapore. Similarly in the year 2018, the RuPay International card and SBI remittance app were launched in Singapore in 2018.¹³

Not just with technologically advanced partners like Singapore but even in small economies such as CLMV countries, India has interesting things to offer for the digitization of their economies and governance. For instance, India's success story of government-to-person (G2P) programs using national digital ID 'AADHAAR' and Unified Payments Interface (UPI) to implement the direct benefit transfer (DBT) can be used in ASEAN, especially in CLMV countries that share similar social welfare agendas like India's.¹⁴ India has already taken steps in this direction by agreeing to assist Cambodia to prepare a Soil Health Card for Cambodian farmers in order to gain optimal agricultural production using digital technology.¹⁵ At the same time, India is also working towards modernization of rural areas in Cambodia under a digital village project, where villagers get access to digital life, modern farming techniques, and healthcare facilities along with opportunities in education and livelihood.

At the same time, New Delhi has made its highest ever capacity-building investment for foreign beneficiaries in the area of academic and research ties with ASEAN. During the 25th Anniversary ASEAN-India Commemorative Summit held in New Delhi in January 2018, the Government of India announced 1000 Ph.D. Fellowships for students from ASEAN member countries in the prestigious Indian Institute of Technology (IITs). Under this initiative, the first batch of Ph.D. students from ASEAN were given admission into various IITs in 2020-21.

As far as improving the digital infrastructure connectivity between India and Southeast Asia is concerned, certain big projects have been launched. The launch of the MIST cable system (Myanmar/Malaysia-India-Singapore Transit) in August 2020 will directly connect Singapore, Malaysia, Myanmar, Thailand, and India (Mumbai and Chennai) and deliver a design capacity of more than 216 terabits per second (tbps),¹⁶ a total of 8100 km long cable system is expected to be completed by 2022. Similarly, India's recently completed mega digital connectivity project of 2300 km long 5G ready submarine optical fiber link between Andaman and Chennai. If this link is extended eastwards then it gives an option for ASEAN members to connect their digital highways with this link and thus opens up new opportunities to strengthen digital connectivity in the region.

In recent years, both India and ASEAN member states have witnessed huge growth in startups. Many of the Indian startups have started operating in ASEAN member states especially in Singapore, mainly due to factors such as easy availability of venture capital, smooth regulatory environment, and high English speaking population to mention a few.¹⁷ Similarly, Malaysia, Indonesia, and the Philippines have also attracted many startups from India. India-ASEAN collaboration in startups based on technology and innovation can contribute a lot towards building a digitized economy in the region.

4. Concluding Remarks

Although the pandemic has hit ASEAN's economy badly, it has brought new opportunities and necessities towards building a sustainable economy by strengthening digital connectivity in the region. The transition to a digitized economy is not very difficult in ASEAN compared to other regions given its fastest-growing internet market and the large pool of skilled youth population. Given the fact that MSMEs contribute a lion's share to ASEAN economy, it is both important as well as an immediate need to integrate them into the digital economy. At the same time, reducing the digital gap between member states and bringing consensus on the issues of cross-border data flows is crucial in achieving sustainable economic growth. Finally, India-ASEAN cooperation in the areas of tech startups, e-commerce, e-services, and FinTech can create a win-win situation for both sides.

Endnotes:

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2. Refer, ADB (2020)
3. Refer, Monetary Authority of Singapore (2020)
4. Refer, BIS (2021)
5. Ibid
6. Refer, www.weforum.org
7. Refer, ASEAN (2020)
8. Refer, Chen and Ruddy (2020)

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14. Refer, ADB (2020)
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About AIC

Considering the work of the ASEAN-India Eminent Persons Group (AIEPG), and its Report with recommendations for forging a closer partnership for peace, progress and shared prosperity, the Heads of the State/Government of ASEAN and India at the ASEAN-India Commemorative Summit 2012, held at New Delhi on 19-20 December 2012, recommended the establishment of ASEAN-India Centre (AIC), which was formally inaugurated by the Hon'ble External Affairs Minister of the Government of India on 21 June 2013 at RIS. AIC serves as a resource centre for ASEAN Member States and India to fill the knowledge gaps that currently limit the opportunities for cooperation. AIC is closely working with the Indo-Pacific Division of the Ministry of External Affairs (MEA), Government of India to undertake and disseminate evidence-based policy research and provide policy recommendations.

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