



**Southeast Asia
Public Policy Institute**

Demystifying DEFA: Policy and Political Drivers Across ASEAN



About the Southeast Asia Public Policy Institute

The [Southeast Asia Public Policy Institute](#) is a research institute based in Bangkok and Singapore, working across the region. Our mission is to support the development of solutions to the most pressing public policy challenges facing Southeast Asia in the 21st century.

The Institute works on a range of issues across sustainability, technology, public health, trade, and governance.

We convene dialogues with stakeholders and decisionmakers to drive discussion on the challenges and opportunities facing markets in the region. The Institute draws on a network of in-market researchers, advisors, and partners to provide insights and recommendations for governments, policymakers, and businesses.

We work with partners on projects to explore and drive discussion on policy challenges through:

- **Research and policy development** – in-depth research providing insights and actionable policy solutions aimed at policymakers looking to move the needle on key issues.
- **Policy dialogues and roundtables** – to present policy ideas and start a dialogue with the most relevant stakeholders holding the pen on policy development in markets across the region.

The Institute is founded on the premise that direct connection and candid, informed dialogue is crucial for both policymakers and business leaders operating in the region's changing economic and public policy landscape.

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Executive Summary

ASEAN's Digital Economy Framework Agreement is inseparable from ASEAN's own modern history of self-determination amid great-power competition. Like ASEAN itself, DEFA is likely to matter less for what it does, and more for what it is: a member-state driven attempt to transform Southeast Asia from a site of great-power rivalry into a centre in its own right. DEFA's signal of self-determination will be seen if not felt across the global digital policy landscape, a battleground where Southeast Asian governments are generally price-takers yet govern some of the world's fastest-growing digital economies.

As a first-order dynamic, DEFA's ambition will be constrained by the ASEAN way: measures to enhance economic and policy integration must achieve consensus and not threaten regulatory sovereignty. DEFA's fate will be determined by a number of dynamics that may lead to a lowest-common denominator agreement. First, the broad spectrum of digital development across ASEAN members and digital regulatory capacity. Second, scepticism for various reasons by significant economies – such as Vietnam – and differences in the level of importance of digital policy across markets. Third, the breadth of the agreement – nine chapters spanning almost every aspect of tech policy – and the sequential nature of the negotiations seem to provide adequate space for negotiating capital for various parties, but in reality, may mean the agreement collapses under its own weight or lack of real progress. Finally, the relatively short timelines to chew through nine significant policy areas may not be able to produce an in-depth agreement. Disappointment may also be a result of hyped expectations around what is fundamentally not the same kind of agreement as digital chapters in modern FTAs, or even Digital Partnership Agreements.

ASEAN centrality

Like ASEAN itself, DEFA is likely to matter less for what it does, and more for what it is: a member-state driven attempt to transform Southeast Asia from a site of great-power rivalry into a centre in its own right

Member states will first focus on established areas of regional alignment, before tackling more challenging topics where there is a lack of preceding regional coordination. DEFA will cement regional integration on familiar issues such as paperless trade, e-commerce and payments connectivity, where there are already ongoing cooperation mechanisms and initiatives. Notably, cross-border data flows will be a contentious issue given the differing positions and openness of member states, particularly in light of data localization regulations in Indonesia and Vietnam. On the whole, Singapore and Malaysia are clear regional leaders in digital policymaking and standards harmonization, although their ambitions will be tempered by neighbours with less capacity (Cambodia, Laos) or interest in ceding policy stewardship to regional dynamics at this point (Vietnam, Indonesia).

While there are low expectations for DEFA to break significant policy ground, all is not lost. The acceptance of a lowest common denominator outcome in some areas may make room for more progress in the 2-3 chapters of lower hanging fruit; digital/paperless trade for example, where there are existing agreements and global standards to reference. Furthermore, even a set of bland commitments enshrined in DEFA softens the ground for groups of committed ASEAN members to develop multi-party 'mini-lateral' agreements, future ASEAN-level binding agreements, and commitments to international standards across the policy areas.

In addition, the process of negotiating such a wide-ranging and innovative agreement will have been a major capacity-building exercise in itself for both governments and stakeholders who may exit with a clearer idea of their own policy priorities and those of their peers. Finally, it is worth acknowledging that even minor progress on thorny issues still creates a signal to global investors that ASEAN is moving in the right direction and that they should maintain commitment to the region.

DEFA's Negotiating Process

DEFA negotiations are undertaken by the ASEAN Coordinating Committee on Electronic Commerce and Digital Economy (ACCED) in coordination with the relevant ASEAN sectoral bodies. The negotiations' progress is primarily reported through the ASEAN Economic Ministers' (AEM) track rather than the ASEAN Digital Ministers' (ADGMIN) track. In practice, this means the ASEAN DEFA Negotiating Committee is led by officials from the economic/trade ministries but supported by relevant officials from other ministries. ASEAN leaders have endorsed a 2025 timeline to complete negotiations. Additionally, 2025 ASEAN chair Malaysia harbors ambitions to notch the completion of DEFA negotiations as a chairmanship deliverable.

However, two major structural factors could work against progress. First, the AEM + ADGMIN structure adds a layer of complexity as ADGMIN – supported by ministries of communications – oversees many technical policy elements of DEFA, such as AI, cross-border data flows, cybersecurity, and digital infrastructure. At the same time, other elements of DEFA – digital trade, e-commerce, payments, competition, and talent mobility – are overseen by other relevant ASEAN tracks.

Second, the Negotiating Committee is chaired by Thailand, which pursued the role partly to counter Singapore's pre-eminence in ASEAN digital affairs and its plans to shape the negotiations according to its priorities. In the past, Singapore has taken the chairmanship of e-commerce negotiations and pushed ASEAN's level of ambition beyond where other members were comfortable. This was apparent in negotiations at the Regional Comprehensive Economic Partnership (RCEP) and the ASEAN-Australia-New Zealand FTA (AANZFTA), where certain e-commerce provisions took longer to negotiate among ASEAN members than with its external counterparts. Sources have shared that the Negotiating Committee has a current preference to approach negotiations across the nine DEFA pillars sequentially, with no apparent plans to create issue-specific working groups under the Negotiating Committee.

Meanwhile, industry engagements and consultations during the negotiations provide an

entry for private sector firms to input to negotiators. Notwithstanding the divergence of readiness among member states industry, stakeholders can seize the opportunity to develop recommendations that cut across DEFA pillars, including sharing international best practices and experiences. Industry comments should directly address the nine pillars under the ASEAN DEFA negotiations:

1. **Digital Trade** aims to facilitate cross-border trade by creating a seamless trade experience with electronic documents and interoperable processes.
2. **Cross-border E-Commerce** aims to create a more efficient and fairer environment for cross-border e-commerce, including digital goods and services.
3. **Payments and E-Invoicing** aims to promote digital payments and electronic invoicing by fostering technical interoperability, encourage innovation and competition, and develop regulation.
4. **Digital ID and Authentication** aims to develop a mutually recognizable and interoperable digital identity and electronic authentication framework within the region.
5. **Online Safety and Cybersecurity** aim to improve cooperation in cybersecurity and create an open and secure online environment, with comprehensive protection to parties in a digital transaction.
6. **Cross-border Data Flows and Data Protection** aims to facilitate cross-border data flow and establish frameworks to protect data privacy.
7. **Competition Policy** aims to create a fair/non-discriminatory, transparent competitive environment with consistent guidelines on enforcement and better choice for consumers.
8. **Cooperation on Emerging Topics** aims to establish mechanisms for regulatory cooperation for relevant standards and regulations to keep up with technological innovations like AI.
9. **Talent Mobility and Cooperation** aims to facilitate digital talent mobility between countries and close collaboration on talent building

SINGAPORE

The Singapore government wants to maintain the country's status as a gateway for digital investments in Southeast Asia. From this perspective, DEFA presents an opportunity for the government to set its baseline expectations for the region on digital trade, cross-border data flows, and cross-border payments. The government's interest in DEFA builds on its successfully concluded agreements with Australia, the UK, EU, and Korea, as well as continued aspirations for a digital agreement with the US, a key global policy price-setter.

However, several barriers will constrain its ambitions, including the diplomatic risk of appearing domineering by trying to impose its vision on others. The Ministry of Trade and Industry (MTI) is heartened by of comparisons of DEFA with its Digital Economy Partnerships Agreement (DEPA) with South Korea, New Zealand and Chile, which has been touted by industry players as a forward-looking digital trade agreement that helps enhance the interoperability across different digital regimes. However, the ministry is also cognizant that the "rules-based" approach that DEFA calls for would require tremendous alignment on issues including cross-border data flows, cross-border e-commerce, cybersecurity, digital ID, digital payments and AI.

In negotiations, MTI may champion the establishment of a duty-free agreement on electronic transmissions. Singapore has sought to defend its interests, as co-convenor of the World Trade Organization (WTO) Joint Statement Initiative, to make permanent the moratorium on customs duties for electronic transmissions, whose expiration was recently extended to 2026. The EU-Singapore Digital Trade Agreement, concluded on July 25, includes a permanent ban and reinforces the WTO moratorium. That said, the Singapore government views DEFA as a necessary initiative to maintain the region's relevance, and by extension, Singapore's relevance to traditional

global standards-setters on emerging issues, especially the US.

DEFA also comes at a politically strategic juncture given the ongoing leadership transition: new investment commitments will bolster the political profile of Prime Minister Lawrence Wong and his new leadership team. Singapore risks becoming over-reliant on its 'regional hub' narrative in seeking new investments – both in terms of its comparative advantages in the region and the region's place in the global digital economy. Meanwhile, such 'hub' ambitions are limited by preferences for data localization among some ASEAN members, more

restrictive rules on cross-border payments, and the lack of a cohesive regional green energy plan to support the region's digitalization efforts.

We can expect limited internal tensions as the government navigates the DEFA negotiations, as the inter-agency process on digital economy agreements is relatively well-oiled following the successful conclusion of several similar agreements in the past few years. MTI will likely take a conservative role as the lead ministry for negotiations, given the need to account for the positions of various agencies as well as other ASEAN member states' positions.

In response to MTI's leadership, the newly formed Ministry of Digital Development and Industry (MDDI) will remain constrained in pushing the boundaries for higher ambition and binding provisions. Stopping short of regulatory advocacy, MDDI will likely continue to drive thought leadership in areas related to AI and cross border data flows, leveraging its leadership in the ASEAN Digital Ministers' Meeting (ADGMIN). Meanwhile, the Monetary Authority of Singapore (MAS) is anticipated to rally like-minded member states in establishing a multilateral payments system, building from an earlier prototype, Project Nexus, and seek to establish policies to enhance cross-border payments.

Singapore's relevance hinges on the regional digital economy

Singapore sees DEFA as a precedent-setting platform to guide its neighbours to investor-friendly digital industry positions across the region – with a central role for the city-state

INDONESIA

DEFA negotiations were launched during Indonesia's 2023 ASEAN Chairmanship, reflecting Indonesia's generally welcoming attitude to closer integration and collaboration among ASEAN countries as long as it balances national imperatives for digital economy and technology development. Indonesia's ongoing internal process of developing domestic regulatory frameworks on elements of DEFA will colour its approach to DEFA negotiations in tandem.

The government ministries overseeing DEFA are generally aligned in their policy positions to enhance the digital economy and regional integration, with a preference on areas with more established regional collaboration. Indonesia's lead negotiator for DEFA is positioned under the Coordinating Ministry for Economic Affairs (CMEA). CMEA is also supported by two key ministries, namely (1) the Ministry of Communication and Informatics (MoCI), which provides expertise on technical norms in the digital sector (such as data privacy standards in cross-border data flows), and (2) the Ministry of Trade, through the Directorate General of International Trade Agreements. These institutions appear to share alignment on prioritizing negotiations for provisions that ASEAN countries have more familiarity collaborating on, such as paperless trading and cross-border payments initiatives.

Meanwhile, Indonesia will require more time to formulate concrete positions on emerging technologies such as Artificial Intelligence (AI) and cross-border data flows, as these are relatively new issues for ASEAN, which comprises member states at different levels of technology adoption. On AI, Indonesia agrees that DEFA should use as a benchmark the Digital Economy Partnership Agreement (DEPA)'s governance provisions on AI. Indonesia's lead negotiator has acknowledged that Indonesia should advocate for AI priorities that foster a

conducive environment for innovation and ensure non-discrimination in the utilization of AI technologies.

On cross-border data flows, Indonesia aims for closer integration with other ASEAN members but places a strong emphasis on maintaining regulatory sovereignty, including on personal data protection, electronic transactions, and customs duties on cross-border electronic transmissions. Indonesia's priority concerns include establishing mutual trust and security among ASEAN member states to improve cross-border data flows, while upholding data security and privacy standards.

But first, regulations

Indonesia will prioritize regulatory sovereignty over sensitive issues like cross-border data flows, potentially at the expense of regional integration

The CMEA plans to consolidate domestic digital economy development plans under a single regulatory framework, which may be shaped by DEFA negotiation outcomes. These documents include: (i) the Ministry of Communication and Informatics Digital Indonesia Vision 2045, (ii) the National Development Planning Agency's Digital Industry Development Masterplan (RIPD), and (iii) the National AI Strategy. The outcomes of DEFA negotiations will both inform future domestic regulations on the digital sector and might require changes to existing regulations.

While some digital sector regulations are already under implementation in Indonesia, including on personal data law and electronic transactions, other regulations and initiatives – such as those on AI – are still being developed. A potential major sticking point would be customs duties on electronic transmissions, where Indonesia's position is notably against the extension of the WTO moratorium, which is strongly supported by Singapore.

Moving forward, DEFA will serve as another government reference point in the development of digital policy. For instance, current regulations related to digital competition or Personal Data Protection regulations refer to the European Union's DMA/DSA and GDPR; DEFA could serve a similar role once completed.

VIETNAM

The Vietnamese Government is outwardly supportive of DEFA and its potential benefits for both Vietnam and ASEAN. It has acknowledged that DEFA would open up opportunities for the country's economic development, especially in the e-commerce and digital economy sectors, while building capacity on issues related to consumer protection and cybersecurity. Vietnam's Prime Minister Pham Minh Chinh publicly spoke about the urgency to complete DEFA negotiations to enhance ASEAN's self-reliance and autonomy while elevating the region as a global model for digital transformation.

However, the Vietnamese Government has a less sanguine view of DEFA behind closed doors. The tangible impact of DEFA on Vietnam remains unclear, given that it is likely to take the form of a framework, rather than a traditional trade agreement. Furthermore, Vietnamese state-owned media have not extensively covered DEFA nor provided any analysis on DEFA's concrete benefits to Vietnam, besides mentioning DEFA in passing as one of the various trade agreements that ASEAN is working on. This indicates that the Vietnamese Government does not perceive the benefits of DEFA as substantive and concrete enough for public propagation.

The Ministry of Industry and Trade (MOIT)'s eCommerce and Digital Economy Agency (iDEA), with some support from the Ministry of Information and Communication (MIC)'s International Cooperation Department, is driving Vietnam's position on DEFA negotiations. Other government agencies, and even some within MOIT itself, do not seem to be significantly consulted nor fully aware of the negotiations process. While there is precedence for individual MOIT agencies to assume sole responsibility for the negotiation of an international treaty, the reality that iDEA seems to be single-handedly negotiating the wide-ranging DEFA without much involvement from other relevant ministries is an indication that the

Vietnamese government does not view DEFA as a significant undertaking that merits a more robust inter-agency approach.

DEFA has not impacted Vietnam's tech policy developments, and it is unclear whether the completed DEFA will significantly influence the future direction of Vietnam's domestic regulatory frameworks. DEFA negotiations aside, the Vietnamese government is preoccupied with reforming its domestic legal and regulatory framework pertaining to technology and innovation. This policymaking process appears to be taking place independently of Vietnam's negotiations of DEFA.

More significantly, Vietnam will likely prioritize specific domestic political and economic imperatives over broader regional interests in developing tech policies and regulations. For example, content regulation is a sensitive issue for the Vietnam government, which has resorted to a variety of measures to coerce cross-border platforms into removing information that they deem unpalatable. Vietnam has also pushed for data localization policies, requiring that all domestic companies must store copies of data locally, while foreign entities need to do so under specific circumstances. However, it is possible that Vietnam may take into account DEFA provisions on issues that it has yet to regulate, such as AI. Moreover, as certain Vietnamese regulations (e.g. cross-border e-commerce, cross-border data flows, cybersecurity, etc.) are more onerous than those in other regional countries, Vietnam may need to moderate these requirements when DEFA takes effect, to the potential benefit of enterprises.

The lack of broader stakeholder engagement by the government on DEFA is likely due to the lack of public information about the agreement specifics given the confidentiality of such negotiations. Furthermore, Vietnamese Government agencies typically do not request comments from domestic enterprises for such negotiations.

Much ado about nothing

The Vietnamese government does not view DEFA as a significant undertaking that merits a robust inter-agency approach

MALAYSIA

Malaysia's digital regulations and initiatives align with many of DEFA's nine key pillars, favorably positioning the 2025 ASEAN Chair to shape regional digital standards as ASEAN steers DEFA negotiations to the finish line by 2025. In recent months, the Malaysian government introduced a Cybersecurity Act, put forward long-awaited amendments to personal data protection laws, and is rolling out a national digital ID program. The country's domestic payments network operator and central bank have displayed interest in driving cross-border payment initiatives and fund transfers, such as through the Bank of International Settlements' (BIS) Project Nexus. Legislative reforms affecting online safety are in the pipeline, while guidelines around the use of artificial intelligence have been introduced. However, the Malaysian government has faced domestic pushback to some initiatives, including efforts to license social media platforms, while many of the recently passed laws still await clear subsidiary regulation.

Meanwhile, DEFA presents Malaysia with the opportunity to translate its domestic digital policies, particularly in data protection, AI, cross-border payments and data flows, and cybersecurity, into a regional framework. The Malaysian government views DEFA as critical in consolidating and building upon existing regional initiatives — such as the 2023 framework of cooperation in digital economy with Singapore — to promote seamless trade and economic cooperation among member states in the digital space. While acknowledging the current digital and regulatory disparities across the region, sources indicate that the government, via the Ministry of Investment, Trade, and Industry (MITI), plans to leverage its regional leadership role by prioritizing capacity-building initiatives to foster consensus among AMS on the importance of achieving harmonized standards and regulatory liberalization through DEFA.

Burnishing Malaysia's regional digital chops

As ASEAN Chair in 2025, Malaysia will likely seek to leverage DEFA as an opportunity to translate domestic digital policies into a regional framework, while strengthening Malaysia's regional leadership on the digital economy

As MITI spearheads Malaysia's negotiation and leadership efforts on DEFA, it will have to boost its own capacity as well. While the other ministries overseeing digital economy issues (such as the Digital, Communications, and Economy Ministries) are expected to collaborate and support MITI on DEFA efforts, MITI will need to secure adequate resources — both financial and human capital — to burnish its effectiveness as a leader. Aside from chapters on digital trade that are part of larger trade agreements such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), MITI has not had much experience negotiating digital economy agreements. This is compounded by the external challenge of having to reconcile the diverse needs and capabilities of ASEAN member states, which necessitates a pragmatic approach to bridge these gaps while maintaining negotiation momentum and coherence. MITI has not given any public indication of a concrete plan forward.

Fueled by the government's target of a 25.5 percent contribution from the digital economy to GDP by 2025, Malaysia is keen to expedite DEFA's implementation. Recognizing DEFA's potential as a gateway for foreign investors, MITI could strategically leverage the framework to cultivate a predictable business environment with enhanced market access, clearer regulatory frameworks, and improved interoperability. Known for its liberalization stance, MITI will likely gather external views through consultations and workshops to showcase Malaysia's value proposition within the ASEAN digital economy while achieving internal targets in advancing the country's digital economy

THAILAND

Thailand's negotiators have high hopes for DEFA as a "next generation" or "higher standard" agreement, linked to concrete and tangible outcomes. Still, there is widespread awareness that differences in member states' levels of economic development and ambition could derail the process. The Thailand Ministry of Commerce leads negotiations with support from the Ministry of Foreign Affairs, although it is advancing negotiations in a measured manner and does not expect serious negotiations to pick up until Q2 2025. This is in part due to the need to mobilize national legislatures on domestic policy discussions.

Low expectations

Thailand's negotiators are seeking to leverage DEFA to deliver on cross-border policy priorities, particularly combatting online scams, while remaining sceptical about substantive DEFA outcomes

The Ministry of Commerce and Ministry of Foreign Affairs seek to leverage DEFA to deliver on cross-border policy priorities while armed with a healthy dose of scepticism. Both ministries have indicated that Thailand's policy priorities include combatting online scams, particularly as they view an ASEAN-wide agreement as a way to force progress in neighbouring countries on their online scam centres, which often target Thai citizens.

Meanwhile, key the Ministry of Commerce may be less motivated for immediate regulatory change. Its views appear to be that (1) an ASEAN-wide agreement remains a long way off, (2) Thailand already intends to improve its digital development, so DEFA is viewed as a positive catalyst in this regard, and (3) the rules will be similar to requirements for OECD countries, a grouping which Thailand hopes to join, as well as UNCITRAL. For instance, on e-signatures, Thailand's laws have room to adapt to meet other international standards.

Thailand's Ministry of Foreign Affairs and Ministry of Commerce are already mentally preparing themselves for a DEFA that falls short of the country's goals. Current discussions centre on whether a final deal will fall short of current goals, offer long transition periods, and

the nature of exemptions. In Thailand's view, it is unlikely that the full package as currently promised will be implemented. National security concerns are already cropping up as a major obstacle, touching on many items included in the negotiation list. Thailand is also not involved in separate ASEAN sub-working groups on the different topics covered by DEFA, exacerbating difficulties in reconciling differing positions across ASEAN member states. That said, Thailand appears to be deferring to Malaysia, the 2025 ASEAN Chair, as a potential catalyst for significant progress on DEFA negotiations next year.

PHILIPPINES

The Philippines continues to champion an open and enabling policy environment that would facilitate the rapid growth of the country's digital economy. The country is also poised to play a critical role in the potential ratification or implementation of DEFA if negotiations take years, as it is slated to take up the ASEAN Chairmanship in 2026. It is well-positioned to benefit from the potential regional interoperability on digital trade, cross border data flows, e-commerce, and digital payment connectivity. The Department of Trade and Industry (DTI), which would be the country's lead negotiator, will look to align DEFA with existing digital commitments.

President Ferdinand Marcos Jr.'s economic team is expected to remain supportive of DEFA negotiations to spur foreign investments as part of efforts to actualize the President's vision in accelerating the Philippines' digital transformation. Sporadic feints towards inward-looking, protectionist data policies in recent years, such as a data localization mandate reportedly pushed by the local domestic conglomerates, indicated potential appetite to pivot away from the country's traditionally open policy stance in line

with global trends. However, the short-lived push for data localization measures received strong pushback, as fostering a healthy foreign investment climate remains a key pillar of the Marcos administration's economic strategy.

The Philippines faces internal bureaucratic challenges arising from the lack of alignment among relevant government agencies like the Dept. Trade and Industry (DTI) and the Department of ICT, as well as uncertainty over which agencies have oversight over key emerging policy areas, such as artificial intelligence (AI). The DTI has been active in positioning itself as the potential lead agency, such as through the recent launch of the National AI Roadmap 2.0 and the Center for AI Research. However, the lack of a clear legal framework to guide national AI governance and regulatory enforcement hinders the adoption of an enduring whole-of-government approach. For now, various agencies have developed or are developing their own roadmaps for AI usage in sectors specific to their mandates.

Moreover, there remain domestic anxieties surrounding the potential labor force implications of AI, especially for economic pillars like the business process outsourcing (BPO) industry. Several lawmakers, including the president's sister Senator Imee Marcos, have called for the need to protect employees in the BPO industry in response to these risks. The Philippines currently lacks regulations for AI, and the government's approach towards AI development has been fragmented. Prevalent political discourse about technological displacement of labor increases the likelihood that labor protection will be a key consideration for the government on AI governance and use cases. Key regulatory agencies involved in AI governance intend to explore regulations and have indicated their desire to propose an ASEAN regulatory framework in 2026.

Going forward, the country's lead agencies on digital policies may leverage regional leadership and alignment to inform their national

approach on regulatory and policy actions in areas where there are acute national challenges or needs, such as AI and cybersecurity. But ultimately, regional thought leadership is still likely to take a backseat to domestic considerations like labor force implications in the minds of policymakers.

Overall, the Philippine government hopes to leverage an inclusive ASEAN digital ecosystem to drive its own digital economy growth. The digital economy reportedly amounted to approximately USD 35 billion in 2023, 8.4 percent of the Philippines' GDP. For instance,

the Philippine central bank is proceeding full steam ahead with enhancing cross-border payment connectivity through Project Nexus.

CAMBODIA

Cambodia generally welcomes DEFA as part of its digital economy transition efforts to synchronize its digital readiness with other ASEAN member states (AMS). Clear-eyed about its price-taker role, Cambodia will likely take heed from DEFA as a framework for Cambodia's development of its own tech policies and regulations to better benefit from ASEAN's cross-border initiatives. As Hun Manet's government prioritizes Cambodia's economic diversification and tech sector growth, its approach to DEFA negotiations is part of broader efforts to strengthen global trade and investment ties. Cambodia does not view DEFA as a panacea for its digital economy needs and continues to pursue bilateral cooperation with regional countries, including China, while monitoring the major powers' (US, EU, China) varying approaches towards digital policy implementation.

The Ministry of Commerce (MoC) takes the lead in DEFA negotiations, under the oversight of the Ministry of Economy and Finance (MEF). The MEF also coordinates consultations to support the MoC's negotiation preparations. The MEF's work is carried out through the General Secretariat of Digital Economy and

AI as a political risk

Domestic anxieties surrounding the potential labour force implications of AI are likely to influence the Philippines' governance and regulatory approach

Business Committee (GS-DEBC), a specialized unit within the MEF responsible for technical aspects related to DEFA. The MoC subsequently develops and implements policy frameworks in alignment with the GS-DEBC's technical recommendations. This is aimed at mitigating fragmented decision-making among various ministries that tends to happen in the usual inter-agency processes. However, there remains the likelihood of coordination challenges given the cross-cutting nature of DEFA negotiations, and the differing parent ministries of the lead negotiator vs the GS-DEBC.

The Hun Manet government faces challenges in striking a balance between open investment-friendly policies and protectionist measures, in light of Hun Sen's longstanding political legacy shaped by heavy-handed government involvement. For instance, Cambodia's recent draft Personal Data Protection Law includes potential data localization clauses, sparking significant pushback from industry stakeholders. The government remains sensitive to data privacy issues and wants to maintain authority over content regulation while averting the mishandling of national data. The Ministry of Post and Telecommunications (MPTC) is a staunch proponent of these policy positions. While the current administration has since sought to adopt a more constructive and collaborative approach towards policymaking by welcoming stakeholder input and actively

encouraging private sector participation, in a departure from the Hun Sen era, it remains to be seen if this will translate into tangible change in the policy and regulatory frameworks.

The Cambodian government will likely continue to assess the viability of approaches adopted by other ASEAN members regarding data localization and e-commerce, while also monitoring the progress of emerging issues, such as cybersecurity and AI. The government is expected to maintain a holding pattern on data localization measures in the near term, amid significant industry backlash and a limited capacity to establish its own data centers. In the

Capacity-building first

Cambodia will take a wait-and-see approach on digital policies and regulations, as the government continues to assess other ASEAN member states' approaches and build capacity

case of DEFA, Cambodia is not a regional digital economy frontrunner and is also likely to adopt a wait-and-see approach on the provisions where it has yet to develop national positions and regulations.

Cambodia's domestic policy landscape may see a significant push to finalize outstanding tech policies to achieve alignment with DEFA,

contingent upon ASEAN's proactiveness in driving DEFA forward.

While Cambodia's digital economy policy and regulatory landscape is relatively less developed, Hun Manet's administration is keen for DEFA to help build Cambodia's capacity on AI, e-commerce, and digital payments.