

## INCREASING ASEAN ECONOMIC GROWTH THROUGH THE DIGITAL ECONOMY AS AN INITIATIVE IN THE ASEAN INDONESIA CHAIRMANSHIP 2023

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**Abstract:** *The ASEAN Indonesia Chairmanship 2023 will observe a lot of opportunities and challenges for the bloc in the area of economy. This chairmanship will gear toward strengthening ASEAN's institutional capacity and increasing its resilience towards challenges. The ASEAN economic growth as well as the digital economy are challenging since its determinants can be analyzed from different points of view in all ASEAN members. This study attempts to explain how ASEAN economic growth relates to digital economy as an initiative in the ASEAN Indonesia Chairmanship 2023. The study uses qualitative research methods as well as empirical research methods with descriptive analysis techniques. The main finding of this research is the growth of Southeast Asia can be attributed to many, however, one of the largely stands out amongst the rest is its rise in the digital economy. There has been a rapid change in digitalization across the 670 million people it holds. The digital economy alone is set to generate over \$1 trillion US Dollars by 2025 which is around a quarter of the entire Southeast Asia's gross domestic product. E-commerce, E-banking, and E-education have all been rapidly accelerated and have named ASEAN as the world's fastest-growing internet market.*

**Keywords:** *ASEAN Indonesia Chairmanship 2023, ASEAN economic growth, digital economy, Southeast Asia, ASEAN.*

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### Introduction

The ASEAN Indonesia Chairmanship 2023 will observe a lot of opportunities and challenges for the bloc in the area of economy. The ASEAN Institutional Capacity and Resilience to Challenges will be strengthened during this Chairmanship. It is difficult to predict the growth of the ASEAN economy and the digital economy because each ASEAN member can assess its factors from a different perspective. This analysis makes an effort to clarify how the digital economy initiative in the ASEAN Indonesia Chairmanship 2023 connects to the growth of the ASEAN economy.

### Literature Review

According to the ASEAN Charter published by the ASEAN Secretariat Organization (2008), ASEAN is an association of countries in the Southeast Asian region, which according to geography, this region is characterized by covering ten countries, namely Indonesia, Malaysia, Singapore, Brunei Darussalam, Vietnam, Thailand, Laos, Myanmar, the Philippines and Cambodia. By the end of 2015, ASEAN established the ASEAN Economic Community (AEC). Freer movement of capital is one of the objectives of the AEC, an economic integration that aims to promote the free movement of skilled labor, investment,

and goods. Through the AEC, ASEAN strengthened its economic integration after the creation of the ASEAN Free Trade Area.

With a population of about 600 million, ASEAN has a land area of 4.46 million km<sup>2</sup>. The sea area of ASEAN is three times that of its land area. In 2010, the combined nominal GDP of ASEAN has grown to US\$1.8 trillion. After China, Japan, the United States, Germany, France, Brazil, the United Kingdom, and Italy, ASEAN would have the ninth-largest GDP if it were a single country. Being a leader in East Asia's economic integration, ASEAN is crucial to interregional cooperation. The organization was founded in August 1967 by the founding five ASEAN members, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. (Tkachenko et. al., 2022).

Moreover, ASEAN is a leader in East Asia's economic integration and is important to regional cooperation. When ASEAN was established, Southeast Asia was still embroiled in the Vietnam War, which made political collaboration and regional security top priorities. With the inaugural summit's approval of the Declaration of ASEAN Concord in 1976, economic cooperation between ASEAN member states was established. The ASEAN Industrial Project (AIP), the ASEAN Industrial Complementation (AIC), and the ASEAN Preferential Trade Agreement were the three programs that were executed to promote economic cooperation (APTA).

The establishment of the ASEAN Economic Community in 2015 was a significant turning point in these efforts. When it comes to its hopes for development, ASEAN has shocked the world with both Singapore's success and the recent waves of reforms in its member countries, from Vietnam and Myanmar to Indonesia and the Philippines. Being an economic bloc that embraces global integration, ASEAN is one of the top locations for FDI globally, and its trade-to-GDP ratio is higher than 100%. (Vu, 2020).

According to Bukht & Heek (2019), Tapscott coined the term "digital economy" for the first time. The digital economy is viewed as a social phenomenon influenced by technological advancements. The advancement of communication technology has an impact on the economic system. The existence of the information and communication technology industry, electronic trading activities, and digital distribution of goods or services define the digital economy. In addition, Aniqoh (2020) described that the digital economy is characterized by the existence of the information and communication technology industry, electronic trading activities and digital distribution of goods or services.

The era of the digital economy first emerged in the 1980s. The technologies used for business efficiency during this period were personal computers and the internet. Electronic commerce is also growing through the use of personal computers and the internet. After that came a new economic era. The introduction of cloud computing technologies, the advancement of cellular technology, and unrestricted internet access are the hallmarks of this new era. The digital economic processes of the new century then make use of these three forms of technology. (Tian, 2008)

According to Benjamin Ang (2020), the Digital ASEAN program was created in response to requests from the public and business regional forum partners in ASEAN. In order to fully realize the benefits of the Fourth Industrial Revolution and make it a force for regional economic inclusion, the initiative aims to focus on the challenges that will support a regional digital economy in ASEAN.

## **Method**

The study uses qualitative research methods as well as empirical research methods with descriptive analysis techniques.

### Result and Discussion

The main finding of this research is the growth of Southeast Asia can be attributed to many, however, one of the largely stands out amongst the rest is its rise in the digital economy. There has been a rapid change in digitalization across the 670 million people it holds. The digital economy alone is set to generate over \$1 trillion US Dollars by 2025 which is around a quarter of the entire Southeast Asia's gross domestic product. E-commerce, E-banking, and E-education have all been rapidly accelerated and have named ASEAN as the world's fastest-growing internet market. In addition, there is a positive relationship between the digital economy and openness to the GDP growth of ASEAN countries.

Year 2023 marks the start of Indonesia's ASEAN Chairmanship. This chairmanship will observe a lot of opportunities and challenges for the bloc in the areas of diplomacy, climate change, economy, and peace, also security. Upholding the theme "ASEAN Matters: Epicentrum of Growth" Indonesia's ASEAN chairmanship will gear towards strengthening ASEAN's institutional capacity and increasing its resilience towards challenges with digital economy as one of the main drivers of economic growth in the region. (Hojeghan & Esfangareh. 2011)

The development of banking services carried out via the internet is increasing lively along with the rapid growth of information technology. Innovation factor products and technological developments are an inseparable part of the development of the banking industry to improve service quality. Based on the table above, we can see that the highest digital banking index in ASEAN is in Thailand, with a digital banking index of 9.5%.

**Table 1. Index Digital Banking in ASEAN**

No.	Country	Index Digital Banking
1	Indonesia	8.0192%
2	Singapore	7.6815%
3	Thailand	9.5005%
4	Philippines	6.4315%
5	Malaysia	6.1403%

Source: ASEAN Digital Masterplan 2025.

Online education is a brand-new way for people to learn. It serves as a substitute for traditional classroom instruction, a long-term learning tool, and a platform for self-promotion. Massive Open Online Course (MOOC) and Educational Technology Business are two categories among the many online education platforms that exist. A MOOC is a massive open online course that offers top-notch lectures and is designed for unrestricted participation. (Srinuan, 2012)

Based on Table 2, we can see that the highest internet penetration in ASEAN is in Brunei, which is 95%, followed by Singapore at 88%, and then by Malaysia at 81%.

**Table 2. Internet Penetration in ASEAN**

No.	Country	Internet Penetration
1	Indonesia	40%

2	Malaysia	81%
3	Singapore	88%
4	Brunei	95%
5	Philippines	60%
6	Vietnam	70%
7	Cambodia	40%
8	Thailand	57%
9	Myanmar	31%
10	Laos	No Data

Source: ASEAN Digital Masterplan 2025

We can see the ASEAN Member States Selected Basic Indicators in 2021 Table 3 below.

**Table 3. ASEAN Member States Selected Basic Indicators, 2021**

	Total Population	Annual Population Growth	Gross Domestic Product at Current Prices	Gross Domestic Product Per Capita at Current Prices	International Merchandise Trade			Foreign Direct Investments Inflow
	Thousand	Percent	US\$ million	US\$	US\$ million	US\$ million	US\$ million	US\$ million
BRN	430.0	-5.2	13,925	32,383.1	11,456	7,230	18,686	205
KHM	16,592.1	1.6	27,165	1,603.0	16,950	25,491	42,440	3,484
IDN	272,248.4	0.8	1,185,777	4,348.6	231,610	196,190	427,800	20,081
LAO	7,337.8	1.1	19,635	2,693.3	7,700	5,885	13,585	1,072
MYS	32,576.3	0.4	372,770	11,399.7	299,334	238,168	537,502	11,594
MMR	55,295.0	0.9	72,863	1,314.4	14,157	14,307	28,464	1,005
PHL	110,198.0	1.4	393,612	3,552.5	67,929	134,008	201,937	12,413
SGP	5,453.6	-4.1	394,579	72,399.7	456,805	406,041	862,846	99,062
THA	65,213.0	-0.3	505,890	7,645.3	271,315	269,004	540,318	14,641
VNM	98,506.2	0.9	361,962	3,674.4	335,793	330,752	666,545	15,660
	<b>663,850.3</b>	<b>0.8</b>	<b>3,348,177</b>	<b>5,024.2</b>	<b>1,713,047</b>	<b>1,627,075</b>	<b>3,340,122</b>	<b>179,215</b>

Source: World Bank

Moreover, we also can see the ASEAN Countries Development Ambition in Table 4 below.

**Table 4. ASEAN Countries Development Ambition**

Countries	Development Ambition	Document (Year of Issue)
Brunei	Joining the world's top10 in quality of life and per capita income in 2035	Vision 2035 (2004)
Cambodia	Aiming to become an upper-middle-income nation by 2030 and a developed country by 2050.	Prime Minister Hun Sen's statement (2013)
Indonesia	Becoming an advanced and prosperous nation among the world's largest five economies by 2045.	The Vision of Indonesia 2045 (2019)*
Laos	Becoming an upper-middle-income country by 2035.	The 8 <sup>th</sup> Five-Year National Socioeconomic Development Plan, 2016-2020 (2016).
Malaysia	Elevating the country's status to a	The 11 <sup>th</sup> Malaysia Plan (2015).

	developed economy by 2020.	
Myanmar	People working together to build a brighter future in a pluralistic and prosperous nation.	The Myanmar Sustainable Development Plan, 2018-2030 (2018).
Philippines	Becoming a prosperous middle-class society free of poverty by 2040.	Our Ambition 2040 (2015).
.	Envisioning a “Smart Nation” that is a leading economy powered by digital innovation, and a world-class city.	Singapore’s Smart Nation Initiative (2014)
Thailand	Turning Thailand into a developed country by 2037.	National strategy Thailand 4.0 (2018).
Vietnam	Becoming among the top three ASEAN countries in industry by 2030, with some of its industries being globally competitive; becoming a modern industrialized country by 2045.	The Political Bureau Resolution No. 23-NQ/TW (2018).

Source: World Bank

Most people in the ASEAN region are able to locate digital content, create it successfully, use it, evaluate its authenticity, manage the flow of media information, and modify technology to certain situations. (Dwianto, 2021). In addition, according to Wibowo (2018), although the GDP growth of ASEAN nations is already good, there is a correlation between digital economic variables and that growth, and management of internet users must be improved. It is envisioned that internet users will act as both customers and business opportunity creators to launch start-ups, so boosting economic growth in each nation.

The expansion of the actors involved in the industrial activity of the digital economy itself must come after the continuation of its development. Otherwise, there would be a decline in the caliber of workers who are unable to adapt to the current circumstances. The digital economy must become more competent as it expands. In order for employees to always be able to follow or adjust to the economic development that is taking place. Never stop learning is the important thing to keep in mind. (International Labour Organization, 2021).

The recent trend of technological growth has created a creative route to the digital economy for sustainable development in China and ASEAN. The adoption of digital technologies in both established and emergent digital industries is fostering the development of fresh and creative approaches to business organization. China and ASEAN are working to improve connectivity by combining common priorities in the Master Plan on ASEAN Connectivity 2025 and the Belt and Road Initiative with the aim of high standard, people-oriented, and people-centered development, with the establishment of the China-ASEAN digital economy partnership and the designation of 2020 as the China-ASEAN Year of Digital Economy Cooperation. (Yang, 2022).

The United Overseas Bank, the third-largest bank in Southeast Asia, predicts that the ASEAN region will have the fourth-largest economy in the world. By 2025, the digital economy alone is projected to produce more than \$1 trillion in US dollars, or almost one-fourth of the overall GDP. ASEAN has been identified as the region with the fastest-growing internet market due to the tremendous acceleration of e-commerce, e-banking, e-education, and other related industries. (United Overseas Bank Annual Report 2021).

The epidemic has spurred the growth of the digital economy, but it has also brought to light hundreds of problems that require reform. Fortunately, Southeast Asians appear to be quite resilient and change-resistant. The inhabitants of this country adopted the digital

economy far more quickly than people in other parts of the world, which suggests that they are open to change. We believe Southeast Asia has succeeded because of its small- to medium-sized enterprise, or SME, business model. The region's economy relies heavily on these SMEs, which, in a nutshell, signifies entrepreneurship. (Hossain, 2020).

Southeast Asians' daily lives are made more innovative, swift, and flexible by entrepreneurship. As there are many entrepreneurs in every nation, we might observe flexibility in the years to come. SME enterprises employ 70% of the labor force in nations like Vietnam and Thailand, according to statistics, and 99% of all businesses are legally registered. In conclusion, the growth of Southeast Asia's digital economy and the region's vast drive-in infrastructure development will force it to grow into one of the world's major economic unions within the next ten years. (Kai Li, et. al., 2020).

We can see that the disruption we are all currently experiencing is the digitalization of economic activities. There are billions of connections made every day between individuals, businesses, institutions, gadgets, data, and processes online. In the previous 5-8 years, Southeast Asia's digital economy has grown at an exponential rate. (Schreckling & Steiger, 2016).

The disruption that we are all currently experiencing is the digital economy or the digitalization of economic activity. It entails billions of regular, online interactions between individuals, organizations, enterprises, gadgets, data, and processes. In the previous 5-8 years, Southeast Asia's digital economy has grown at an exponential rate. In terms of pace and scope, the current technology disruption is unprecedented. It is altering how things are made, including new consumption trends, fixed capital development, cross-border financial flows, and how we live. (Bukht & Heeks, 2019).

ASEAN has been one of the grandest economic success stories during the past decades. It went from a relatively poor region to becoming one of the most exciting emerging markets, that manufactures innovative products and services and exports them globally. It's a nation that once had a \$29 billion US dollars Gross Domestic Products in 1970, making it one of the world's poorest regions, but by 2021, it is now estimated to be about \$3.6 trillion dollars. (Asian Development Bank).

Between 2000 and 2017, and notably from 2005 to 2017, mobile penetration has tripled. Just over the past twelve years, it has tripled for ASEAN, going from 37 to 124 per hundred persons (Philipp Rode, et. al., 2017). In addition, ASEAN as being the seventh largest economy in the world if we put all their GDP together. Similarly, they are going to be maybe number two or number three in terms of the size of the e-commerce market. The major investor, like Softbank, they're also in this space. It shows that ASEAN is growing, and ASEAN is going to be the next big growth area. And a lot of that is going to be coming from ride hailing as well as online media, online travel, and e-commerce. (Rahadi, 2016).

This is typical pattern for the development of the internet economy in most countries when they start. The ride sharing platform was this notion of platform economy where economists call it a two-sided market because it gains more value. The more you have two sides of the market, more Uber drivers, more consumers will use Uber. More consumers, more Uber drivers, and the value of the platform comes from the scale and the data that is built up on that platform and these platforms then earn money from the data. (Carl Dahlman, et. al., 2016).

Regulations are scrambling to keep up with the digital economy. The speed is very high. So high that a lot of regulators are kind of scrambling to catch up with the next thing that's happening. How do we get the benefit but manage the risks? We don't necessarily understand enough about the way the digital dividends for development are delivered and we probably should learn from each other from other developing countries and pick which best

practices would work for us nationally and which we should also look for regional cooperation.

The biggest fear is of course job losses and data actually show that ten percent of jobs in ASEAN will be lost in the next 10 years due to automation robotisation. By 2020, 10.2% of ASEAN e-commerce workforce will be displaced by automation. It could happen faster depending on how the technology evolves so and a lot of, that is in agriculture sector as can be expected. In the unskilled, medium skill, routine work, repetitive work, kind of jobs and it is going to hit the younger people more. (ASEAN Digital Masterplan 2025)

The epidemic has spurred the growth of the digital economy, but it has also brought to light hundreds of problems that require reform. Fortunately, Southeast Asians appear to be quite resilient and change resistant. The inhabitants of this country adopted the digital economy far more quickly than people in other parts of the world, which suggests that they are open to change. We believe Southeast Asia has succeeded in this way because of its Small-Medium Enterprise (SME) business model. The region's economy relies heavily on these SMEs, which, in a nutshell, signifies entrepreneurship. Southeast Asians' daily lives are made more innovative, swift, and flexible by entrepreneurship. Since entrepreneurs are prevalent worldwide, we might observe flexibility in the upcoming years. (World Bank Group).

## Conclusion

The fundamental conclusion of this study is that although numerous factors have contributed to Southeast Asia's prosperity, the region's booming digital economy stands out among the others. The internet market in ASEAN is expanding at the quickest rate worldwide. To overcome these obstacles, ASEAN has established significant policy frameworks and measures, such as the e-ASEAN Framework Agreement, the Masterplan on ASEAN Connectivity 2025, and the AEC Blueprint 2025. The 670 million people it holds have experienced a fast transition in digitalization. By 2025, the digital economy alone is projected to produce more than \$1 trillion US dollars, or almost one-fourth of Southeast Asia's overall GDP. As the world's fastest-growing internet market, ASEAN has experienced significant growth in e-commerce, e-banking, and e-education. The ASEAN economy, which is home to more than 650 million people, is sizable. The 10 ASEAN nations, however, range widely in terms of income and degree of development, from Singapore and Brunei, two of the richest countries, to Myanmar and Cambodia, which are among the poorest. The ASEAN Chairmanship of Indonesia will begin in 2023. The bloc will face several chances and difficulties under this leadership in the fields of diplomacy, the economics, peace, and security. In keeping with the theme "ASEAN Matters: Epicentrum of Growth," Indonesia's ASEAN chairmanship will focus on enhancing ASEAN's institutional capacity and boosting its resistance to threats as the digital economy becomes one of the primary forces driving the region's economic growth. Indonesia encourages the acceleration of digital economic transformation in the ASEAN region. This mission will be the main agenda carried out when holding the chairmanship of ASEAN 2023.

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