Southeast Asia: More to Cashing in on the Chips

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The digital revolution in Southeast Asia is now being accompanied by a variety of supporting policies, laws, and guidelines at the national and regional levels is a natural outgrowth of two interconnected and continuing trajectories.

First, the insertion of most of these countries into the international system upon independence meant that their extractive economies that had formerly served European colonial interests had to be reformed—if not, transformed—to be self-sustaining and over time, growth- and export-oriented. The industrial policies that powered the manufacturing, automotive, electrical, and electronics sectors birthed the Southeast Asian "economic miracle" in the late 1980s through to most of the 1990s. They plugged the economies of Indonesia, Malaysia, Singapore, and Thailand into the global value and technological supply chains early on by leveraging countries' comparative advantages in natural resources, capital, and tax incentives, as well as skilled and unskilled labor. Once the Cold War conflicts in mainland Southeast Asia cleared, Viet Nam led the charge towards industrialization with its *Đổi Mới* policy. Today, Viet Nam is the third largest semiconductor chip supplier to the United States, after Malaysia and Taiwan.

Second, that growth imperative remains a strong underpinning for Southeast Asian governments looking to capitalize on the digital revolution. This is clear in the extensive lattice of policy and legal instruments that frame the region's digital landscape, from Thailand 4.0, Malaysia 5.0, and the Philippines' Inclusive Innovation Industrial Strategy (i3S) to Indonesia's Digital Roadmap, Cambodia's Digital Economy and Society Policy Framework 2021-2035, and Viet Nam's National Digital Transformation Plan. At the Association of Southeast Asian Nations (ASEAN) level, the region collectively has the Consolidated Strategy on the Fourth Industrial Revolution and Digital Masterplan, among other frameworks. ASEAN is currently working on a Guide on AI Governance and Ethics.

As geopolitical fault lines coalesce around technology, and as the lines that previously insulated economic relations from the flux of political and security ones become increasingly blurred, Southeast Asian states are looking to make the best out of a bad situation. Malaysia, Viet Nam, Singapore, and Thailand are building on their chips production infrastructure to support the United States' reshoring and friend-shoring practices. Indonesia and the Philippines are hoping to play a more significant role in the world's critical mineral supply while climbing up the value chain beyond upstream mining.

The drive to reap the promise of digitalization is not just government led. Despite global headwinds and increasing investor caution, the demand signals on the part of the private sector and that of Southeast Asia's growing consumer base remain strong. The region's digital economy is projected to grow 20 per cent year-on-year in 2022, with investment concentrated in the digital financial services, travel, and transport sectors. All of this sounds like good news, particularly as countries grapple with reigniting their economies post-peak pandemic. Yet, against the backdrop of a climate crisis and shadows of tech fragmentation, there are several big picture questions that the region has not yet grappled with. These will be discussed in-session during the workshop:

1. Can “externalities” remain externalities?
2. What is the ultimate objective of digital optimization? Who do we owe duties of responsible digital tech to?
3. What are the values that should underpin the digital revolution in Southeast Asia?