Chapter 1

Advancing Digital Integration in the Indo-Pacific

Legal Strategies for a Cohesive Digital Economy

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Chapter 1

Advancing Digital Integration in the Indo-Pacific – Legal Strategies for a Cohesive Digital Economy

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1. Introduction

The digital economy has experienced remarkable growth in recent years, propelled by advancements in technologies such as artificial intelligence (AI), blockchain, the internet of things (IoT), and e-commerce platforms. These innovations are transforming traditional industries and creating new economic models across sectors like manufacturing, health care, finance, and retail. Digital technologies are significantly impacting international trade, taxation, and investment by facilitating smoother and more efficient cross-border transactions. They reduce friction and costs associated with international trade, effectively lowering barriers and enabling businesses of all sizes to access global markets. Moreover, digital platforms are revolutionising business operations. They provide businesses with new ways to reach consumers, expand their market presence, and participate in global commerce. By lowering transaction costs and streamlining cross-border operations, these platforms enable businesses – especially small and medium-sized enterprises (SMEs) – to access international markets more efficiently.

The Indo-Pacific offers a unique context for examining the intersection of digitalisation and law. Its diversity, geopolitical significance, and economic influence make it a key area for understanding the legal and economic implications of digital transformation. Currently, the Indo-Pacific stands at a critical juncture, as it serves as a global hub for digital and

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economic activity but faces significant governance issues, which are not limited to fragmented regulations; they include deeper systemic problems. These issues certainly comprise cybersecurity vulnerabilities, which are eroding trust in cross-border digital trade and data flow. Moreover, supply chains – increasingly dependent on digital tools – lack cohesive frameworks to ensure resilience and transparency. Fiscal misalignment, particularly in taxing digital services, creates inefficiencies and hampers innovation. Uneven readiness amongst nations in the region is exacerbating these issues, leaving smaller, emerging economies unable to fully participate in the digital economy.

Existing regional initiatives – such as various digital frameworks in ASEAN (e.g. ASEAN [2020]), the Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Project implemented by countries across the region, [1] and Australia's Regional Taxation Cooperation Plan[2] – provide partial solutions to some challenges but fail to reconcile national sovereignty with regional interdependence. For instance, ASEAN Member States (AMS) are collaborating on enhancing the taxation of digital services as part of their broader economic integration efforts, while India's Equalisation Levy and other unilateral measures highlight tensions in achieving a consensus on taxing such transactions. These efforts also remain fragmented and do not fully address the challenges of fiscal coordination in a highly interconnected region. Indeed, without strategic regulatory alignment, the region risks entrenching systemic inefficiencies, which could disrupt supply chains, hinder digital innovation, and escalate geopolitical tensions. A lack of cohesive action may lead the Indo-Pacific to lose its role as a global leader in the digital economy.

Integrating the digital economy within the Indo-Pacific is particularly important due to the region's substantial economic and strategic significance. Home to some of the most dynamic and rapidly growing economies – including China, India, Japan, the Republic of Korea (henceforth, Korea), and AMS like Singapore and Malaysia – the Indo-Pacific represents a significant portion of the global population and economic activity, making it a critical area for digital economic initiatives (ADB, 2011). However, countries in the region are at various stages of digital development; while some are leading in technological advancements, others are still building their digital infrastructure. The digital divide remains a pressing issue amongst the region's countries, with recognised disparities in them as well as regarding digital access and literacy between urban and rural areas and amongst different socio-economic groups.

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[1] While it enhances transparency and addresses tax avoidance, implementation of the BEPS framework remains uneven. National priorities and sovereignty concerns hinder regional coordination, particularly on digital taxation and profit allocation (Chaisse, 2023).

[2] This plan aims to strengthen tax capacity and supports the implementation of BEPS measures across the Indo-Pacific. However, it prioritises national systems over regional coordination, preserving fiscal sovereignty. This fragmented approach limits alignment on issues like digital taxation and cross-border fiscal policy. See, for example, Government of Australia, Australian Taxation Office, Global Cooperation, https://www.ato.gov.au/about-ato/tax-avoidance/the-fight-against-tax-crime/our-focus/global-cooperation

Digital integration has the potential to drive economic development and to close digital divides. Nations like India and Indonesia, with large populations and growing middle classes, offer significant potential for the expansion of digital trade and services. Adoption of digital technologies in these countries can stimulate economic growth, improve public services delivery, and elevate living standards. Moreover, in an era marked by evolving geopolitical and geoeconomic conditions, the ability of Indo-Pacific nations to cooperate and to build a robust digital economy may contribute to regional stability and economic security. Digital collaboration can serve as a foundation for broader economic cooperation, fostering shared prosperity amongst the region's diverse economies.

Advancing the digital economy in the Indo-Pacific depends on establishing a governance structure grounded in legal principles. Robust digital law, alongside international trade and investment regulation, forms the backbone of a regulatory framework for managing cross-border data exchanges, securing digital transactions, and resolving (digital) disputes efficiently. To achieve leadership in the digital sphere, regulatory systems must be flexible, inclusive, and well-coordinated. Strong cybersecurity infrastructure regulation is essential for building trust in digital interactions across national boundaries. Aligning fiscal measures, such as taxation frameworks for digital services and mobile workers, is essential to reducing inefficiencies and to encourage innovation. Use of the law to promote the development of resilient supply chains, supported by technologies like blockchain and IoT, should be a key aspect of digital law in the region. At the same time, laws and policies must prioritise inclusiveness, providing targeted assistance to emerging economies and vulnerable populations to address capacity gaps and to enable equitable participation in the digital economy. Together, these legal and policy efforts can foster innovation, enhance economic development, as well as solidify the Indo-Pacific's role in the global digital economy.

Following an examination of digital integration's role and impact in the Indo-Pacific, this chapter addresses critical issues surrounding data protection and privacy regulations that influence this integration. It then analyses the complexities of taxing digital businesses, highlighting how fiscal policies must adapt to the evolving digital landscape. Building upon these insights, strategies for enhancing regulatory coordination are discussed to foster a more cohesive digital economy. The chapter concludes by contemplating the future of the digital economy in the Indo-Pacific, considering the implications of these regulatory and economic developments.

2. Digital Integration in the Indo-Pacific

Many countries in the Indo-Pacific have set precedents for legal standards and practices that influence global trade norms. China is obviously a special case, not only because of its dominant position in the digital economy but also because of its unique regulatory approach that aims to balance innovation with tight control measures. Its data localisation and cybersecurity measures emphasise the goal to promote the country's economic

interests while protecting national security. As China continues to expand its Digital Silk Road as part of its Belt and Road Initiative, digital laws alongside international trade and investment frameworks are evolving to accommodate the growing influence of China's digital infrastructure and technology standards.

Japan and Korea's leadership in AI, robotics, and IoT underscores the potential of establishing regional legal standards for emerging technologies. Their legal frameworks support innovation while ensuring compliance with international trade norms. Korea's emphasis on developing a high-speed internet network, fostering digital literacy, and supporting tech startups has resulted in a vibrant digital ecosystem (Government of South Korea, 2023). This environment has attracted substantial foreign direct investment and has enabled Korean companies to become global leaders in technology and innovation. The country's digital policies and innovation ecosystems serve as models for other countries to enhance their digital economies.

Similarly, Singapore has identified the digital economy as a niche for growth. Its strategic investments in digital infrastructure and regulatory frameworks have cemented its status as a key player in global digital trade. The Smart Nation Singapore initiative plays a central role in the country's industrial strategy, integrating digital technologies across sectors; various digital economy initiatives have led to the development of robust e-commerce ecosystems supported by advanced logistics and payment systems. These initiatives have boosted domestic economic activity and positioned Singapore as a regional hub for digital trade. Singapore's approach to digital technologies is further supported by an open trade policy, which is underpinned by numerous preferential trade agreements and digital economy agreements (DEAs), which aim to ensure that Singapore remains a key player in global supply chains.[3]

Australia's proactive digital economy policies reflect its commitment to foster a conducive environment for digital trade and investment. The country's strategic initiatives underscore the importance of aligning domestic legal frameworks with international standards to promote digital trade. Australia's *Digital Economy Strategy 2030* aims to position the country as a leader in the global digital economy by fostering innovation, enhancing digital capabilities, and enabling seamless digital transactions.[4] Digital infrastructure is a focus, particularly the development of 5G networks, cloud computing, and secure data environments, which are regarded as essential to Australia's broader digital transformation. This infrastructure will support both large corporations and SMEs, facilitating their integration into the global digital economy.

[3] The TAPED dataset provides a comprehensive mapping of digital trade provisions in preferential trade agreements since 2000, encompassing over 465 agreements. It includes 130 coded items addressing digital trade, intellectual property, services, governmental procurement, trade in goods, exceptions, and emerging issues; see University of Lucerne, Faculty of Law, TAPED: A Dataset on Digital Trade Provisions, https://www.unilu.ch/en/faculties/faculty-of-law/professorships/burri-mira/research/taped/

[4] Government of Australia, Department of Foreign Affairs and Trade, Towards 2030: Positioning Australia as a Leading Digital Economy and Society, https://digitaleconomy.pmc.gov.au/

Innovation constitutes another significant component of Australia's strategy, emphasising emerging technologies such as AI, blockchain, and quantum computing. The government is promoting collaboration with the private sector to create an environment conducive to digital startups, offering financial and regulatory support through initiatives such as the *Digital Business Plan*. This plan, launched alongside the broader *Digital Economy Strategy 2030*, seeks to lower regulatory obstacles and to increase investment in digital transformation, particularly for businesses transitioning to digital operations following the COVID-19 pandemic. It also prioritises the development of trust through robust cybersecurity frameworks and is aligned with national regulations with international standards on data privacy, digital rights, and cybersecurity.[5]

Emerging economies, such as India, Indonesia, Malaysia, and Viet Nam, present vast – and often untapped – opportunities for digital economy expansion. Yet they also highlight the challenges of harmonising legal frameworks across diverse regulatory environments. India's digital economy is rapidly expanding, driven by initiatives such as Digital India, which aims to transform the country into a digitally empowered society. Undeniably, India's focus on digital infrastructure development has been instrumental to its economic transformation. Further investments in India's digital infrastructure, such as expanding broadband access and promoting digital literacy amongst its population, are crucial for sustaining this growth trajectory. The Digital India initiative emphasises the need for legal frameworks that support digital payments, data protection, and cybersecurity.

Indonesia's rapid digital transformation, spearheaded by initiatives such as Making Indonesia 4.0, illustrates the need for a legal infrastructure that facilitates digital trade and investment as well as broader digital transformation. Making Indonesia 4.0, developed in 2018, is a roadmap towards 2030 that aims to help make the country a leader in the digital economy. It is further supported by initiatives such as the *100 Smart Cities Movement,* which aims to accelerate digital transformation across urban areas by leveraging AI, IoT, and big data to enhance efficiency in areas like transport, public safety, and e-governance. The *National Strategy for Artificial Intelligence (2020–2045)* provides a national roadmap for developing AI, emphasising ethics and policies, infrastructure and data, talent development, and industrial research and innovation. Moreover, the *2045 Digital Indonesia Vision* was launched in 2023 by the Ministry of Communication and Information Technology, with the aim of positioning the country as a leading digital economy by its centennial. A key focus is strengthening cybersecurity alongside digital infrastructure and talent development while ensuring secure, inclusive, and sustainable digital growth.

Malaysia's *MyDIGITAL* strategy is a comprehensive national digital development strategy designed to drive the country's transition into a high-income digital economy by fostering digital innovation, industrial transformation, and investment in emerging technologies. It

[5] *Ibid.*

aligns with national development policies like the *New Industrial Master Plan (NIMP) 2030*[6] – the latest industrial masterplan of the country. The *Malaysia Digital Economy Blueprint* serves as a roadmap for expanding digital infrastructure, promoting cybersecurity, and enhancing digital literacy in the process of implementing the *MyDIGITAL* strategy, while the *National Fourth Industrial Revolution (4IR) Policy* focusses on integrating AI, IoT, and automation into key industries and the government (Government of Malaysia, 2021). Together, these initiatives aim to position Malaysia as a regional leader in the digital economy,

Viet Nam's Digital Transformation Agenda prioritises digital transformation as a key driver of economic growth (OpenDevelopment Vietnam, 2023). This initiative requires the development of legal frameworks that support e-government, smart cities, digital industries, and the regulatory challenges of digital trade and investment. The agenda aims to enhance public sector efficiency through digital governance, expand the digital economy's contribution to gross domestic product, and promote digital inclusion by improving access to digital services and infrastructure. These efforts seek to position Viet Nam as a competitive digital economy while addressing emerging risks in cybersecurity, data governance, and cross-border digital transactions.

In the broader Indo-Pacific region, both advanced and emerging economies have made significant progress towards integrating the digital economy into their national plans and have demonstrated their potential as global digital standard-makers (Zhai, 2024). The acknowledgement of the importance of technological innovation and need for digital infrastructure development – particularly in areas such as AI, e-commerce, IoT, and cybersecurity – have moved many beyond the role of simple technology adopters. These countries are actively developing frameworks to regulate data protection, cross-border data flow, and digital trade, thereby influencing the rules and practices of the global digital economy (Qian, 2024).

3. Data Protection and Privacy Regulations

Significant disparities in data protection and privacy laws exist across the Indo-Pacific region, creating obstacles for digital trade and investment. Most countries have enacted data privacy legislation, but the comprehensiveness and enforcement of these laws vary widely. Several advanced economies have implemented robust frameworks modelled after the European Union's General Data Protection Regulation (GDPR). Japan's Act on the Protection of Personal Information and Korea's Personal Information Protection Act are examples of comprehensive legal structures that safeguard personal data while facilitating international business operations (Government of Japan, 2023; Government of South Korea, 2020). In contrast, other nations are still developing their legal structures or

[6] Government of Malaysia, Ministry of Investment, Trade and Industry, *New Industrial Master Plan (NIMP) 2030*, https://www.nimp2030.gov.my/

have less stringent regulations. Indonesia, for example, only adopted its Personal Data Protection Law in 2022 after years of deliberation. This uneven regulatory environment creates difficulties for businesses operating across borders, leading to compliance issues and conflicts.

A 2021 study commissioned by the Economic Research Institute for ASEAN and East Asia (ERIA) emphasised problems related to digital connectivity and taxation in Asia and the Pacific (Mosquera Valderrama, 2021). The study stressed the need for tax administrations to ensure data privacy and to protect taxpayers' rights when collecting information through both traditional and digital means, including AI and blockchain technology. It recommended updating data protection laws based on the GDPR and becoming signatories to international conventions like the Council of Europe Convention on the Automatic Processing of Personal Data to enhance protection in cross-border data exchange. Yet adopting laws modelled after the GDPR may not suit all countries due to differences in domestic legal systems and priorities.

Moreover, reconciling data sovereignty with cross-border data flow presents significant difficulties. First, varying national laws on privacy protection and data localisation complicate international data transfers. Some countries, such as Taiwan and India, permit data to cross their borders by default, adopting a more liberal approach. Australia applies a reasonableness test when disclosing personal information overseas, weighing privacy concerns against practical business needs. Conversely, Japan and Korea enforce more restrictive policies, imposing stringent conditions on cross-border data transfer. Even countries with open policies may retain broad restrictions that can be activated under certain circumstances. China's recent legislation governing cross-border data flow has become more open compared to previous versions but still imposes considerable controls.

This fragmented regulatory landscape hinders international data flow, complicates compliance for multinational businesses, and may stifle innovation. A regional approach that considers the specific contexts of Indo-Pacific nations may offer a more effective path towards coordination. Regional alignment of data protection laws, particularly regarding cross-border data flow, offers a potential solution. Initiatives like the Asia-Pacific Economic Cooperation (APEC) Cross-border Privacy Rules (CBPR) aim to facilitate secure data transfers while respecting national laws (APEC, 2015). The CBPR provides a framework for mutual recognition of data protection standards amongst participating economies, reducing the compliance burden for businesses and enhancing trust amongst trading partners.

Addressing disparities in data protection and privacy regulations, especially when data crosses borders, is crucial for fostering a cohesive digital economy in the Indo-Pacific. Regional cooperation and alignment can mitigate risks associated with inconsistent regulations, promote secure data flow, and support economic integration, further enhancing the region's competitiveness in the global market.

4. Cybersecurity Protocols and Coordination

Cybersecurity remains a critical concern in the Indo-Pacific. Different countries maintain divergent regulations and are at varying levels of preparedness to address cybersecurity threats. Advanced economies, like Australia, Japan, Singapore, and Korea, have established comprehensive cybersecurity structures, while emerging economies often maintain less stringent regulations. This divergence often creates barriers to digital trade and investment, as inconsistent standards increase risks and compliance costs for businesses operating across the region (Burri, 2023).

Japan's Basic Act on Cybersecurity provides a foundational framework for protecting critical infrastructure sectors (Government of Japan, 2014). It mandates collaboration between national and local governments and private operators to enhance cybersecurity resilience. The Cybersecurity Strategy Headquarters formulates national strategies, while the National Center of Incident Readiness and Strategy for Cybersecurity oversees implementation. Amendments to the act have introduced mechanisms such as the Cybersecurity Council, which plays both a proactive and reactive role. It facilitates information sharing, strengthens cybersecurity frameworks, and coordinates responses to cyber threats. The council brings together government agencies, businesses, and other stakeholders to ensure an integrated and effective approach to cybersecurity, improving Japan's capacity to prevent and to respond to cyber incidents. Further, the Telecommunication Business Act governs the confidentiality of communications, limiting unauthorised disclosure of data, such as access logs and internet protocol (IP) addresses (Government of Japan, 1984). As this created various operational challenges for telecommunications carriers in sharing threat data, the Ministry of Internal Affairs and Communications issued guidelines clarifying lawful data-sharing practices that comply with privacy rights, enabling carriers to combat cyberthreats more effectively.

Korea's cybersecurity framework also mandates strict compliance and accountability. The Act on the Protection of Information and Communications Infrastructure requires operators of critical infrastructure to report incidents promptly and to undergo regular audits. The Personal Information Protection Act complements these measures by safeguarding personal data and enhancing transparency in data-handling practices (Government of South Korea, 2020).

Legislation, like Australia's Security of Critical Infrastructure Act, addresses private sector accountability for cybersecurity by mandating compliance for entities involved in critical infrastructure, including incident reporting and threat mitigation (Government of Australia, 2018; Waters, 2020). The sectors covered under the act include core sectors of the digital economy, such as communications, financial services and markets, and data storage or processing. This approach underscores the importance of comprehensive legal structures that involve both public and private sectors in cybersecurity efforts.

Beyond frameworks dedicated to cybersecurity, data localisation laws in countries like Indonesia and Viet Nam aim to enhance digital sovereignty. These laws require data to

remain within domestic borders, conflicting with certain international data transfer standards and revealing tensions between security concerns and economic integration.

Besides disparities in national laws, Indo-Pacific nations are at different stages of cybersecurity-related treaty adoption, based on concerns over sovereignty and data sharing. The reluctance of key nations, like India and China, to ratify the Budapest Convention on Cybercrime limits cross-border collaboration in cybercrime investigations. Meanwhile, other large Indo-Pacific jurisdictions, such as Japan and the Philippines, have ratified the convention, valuing the structured cooperation that it provides.

A regionally coordinated cybersecurity strategy that respects national diversity while establishing high standards is essential for enhancing the Indo-Pacific's digital competitiveness. Such an approach encourages secure digital interactions and fosters a unified, resilient digital economy prepared to accommodate future technological advancements, while allowing individual countries to adopt best practices at their own pace. There are already some examples from within the region. The *Association of Southeast Asian Nations (ASEAN) Cybersecurity Cooperation Strategy*, for example, promotes regional coordination without imposing uniform standards (ASEAN Digital Ministers, 2022). This approach allows AMS to retain control over domestic regulations while fostering cooperative responses through initiatives like the ASEAN-Japan Cybersecurity Capacity Building Centre.

5. Protecting Digital Intellectual Property

The rise of digital platforms and technologies has introduced complex intellectual property issues. Problems like digital piracy, unauthorised sharing, and the protection of software and algorithms necessitate modernised intellectual property laws that reflect the digital context. Ensuring robust protection for digital innovations is essential for fostering investment, encouraging technological advancement, and facilitating cross-border collaboration in the Indo-Pacific.

Advanced economies, like Japan and Korea, have well-developed intellectual property laws aligned with international standards set by World Intellectual Property Organization treaties. As examples, Japan's Copyright Act and Korea's Patent Act provide strong protection and enforcement mechanisms (Government of Japan, 1970; Government of South Korea, 2017). These robust structures contribute positively to digital trade by ensuring a secure environment for investments in digital technologies and digital assets. They encourage foreign firms to operate with reduced risk of theft of intellectual property, thereby enhancing cross-border innovation. Yet some countries have less stringent protections, leading to legal uncertainties that may hinder digital trade and investment. Despite recent improvements, Indonesia has faced difficulties in fully aligning its intellectual property laws with international standards (Hanafi and Lubis, 2023). Weak

enforcement mechanisms and limited resources exacerbate these issues, making it challenging to protect digital assets effectively.

In addition, traditional legal measures often fall short in addressing rapid, unidentifiable infringements on intellectual property common in the digital realm. Technological solutions like digital rights management systems and detection algorithms have been employed to combat piracy and unauthorised use in the region; however, without unified or coordinated international regulations, these approaches have limitations, as enforcement can be inconsistent across borders.

Strengthening enforcement mechanisms, promoting regional cooperation, and aligning intellectual property laws with international agreements are essential steps to address cross-border intellectual property issues. Regional agreements and collaborations can facilitate the exchange of information and expertise, helping countries improve their intellectual property regimes. For instance, ASEAN initiatives aimed at harmonising intellectual property laws support AMS in enhancing protection standards and enforcement capabilities.

6. Taxation of Digital Businesses

The rapid expansion of digital businesses has exposed significant gaps in existing tax structures within the Indo-Pacific. Traditional taxation models based on physical presence struggle to capture value from companies operating digitally across borders. Thus, many governments have introduced unilateral measures, such as digital services taxes, withholding taxes, equalisation levies, digital permanent establishment rules, and significant economic presence criteria (Mosquera Valderrama, 2023).

International efforts like the Organisation for Economic Co-operation and Development's Pillar One and Pillar Two initiatives aim to provide a coordinated approach to address taxation in the digital economy. Pillar One seeks to reallocate taxing rights by allowing market jurisdictions to tax a portion of the profits of highly digitalised businesses, even without a physical presence. Pillar Two introduces a global minimum tax rate of 15% to reduce tax competition and to counter BEPS. While Pillar Two rules are being implemented, discussions on Pillar One continue. Several Indo-Pacific countries have adopted unilateral measures in the absence of such a multilateral agreement – including India, Indonesia, Japan, Malaysia, New Zealand, Thailand, Türkiye, and Viet Nam, while a political statement endorsing the Pillar One and Pillar Two initiatives included a commitment by participating countries to refrain from introducing any new unilateral measures (OECD, 2021). The uncertainty surrounding the adoption of Pillar One rules and the associated multilateral convention adds complexity to the situation.

The interplay between trade and unilateral tax measures has generated tensions (Dimitropoulos, 2022). For example, the United States initiated trade investigations against nations implementing digital services taxes, although these are currently

suspended pending international negotiations. Implementing Pillar Two may also impact incentives designed to attract digital manufacturing and enhance technological innovation; countries need to reconsider how to provide such incentives in light of the global minimum tax rate. This may lead to differing approaches amongst nations, potentially affecting the integration of the digital economy across the region.

Indeed, the diverse tax strategies in the Indo-Pacific reveal a tension between fiscal sovereignty and the need for harmonised regulations to support digital trade and investment. Inconsistencies risk creating trade barriers within the region, potentially slowing digital integration (Chaisse, 2023). An approach that respects national interests while promoting interoperability in tax policy is crucial, as it can prevent fragmentation and ensure that digital businesses operate within a stable, predictable framework.

7. Enhancing Regulatory Coordination

Regulatory coordination is essential for mitigating fragmentation and fostering a cohesive digital economy in the Indo-Pacific. Countries in the region have adopted different types of agreements focussed on digital trade and investment. They can be grouped into traditional preferential trade agreements, specialised agreements targeting specific aspects of the digital economy, transnational cooperation instruments, and plurilateral frameworks.

Traditional preferential trade agreements, like the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* and *Regional Comprehensive Economic Partnership,* provide structure for regulatory cooperation and establishing regional standards. While primarily aimed at reducing trade barriers, these agreements include dedicated chapters on electronic commerce, setting minimum standards for data protection, electronic authentication, and paperless trading.

Within ASEAN, the digital economy has grown substantially due to widespread adoption of digital technologies across industries. Strategic frameworks, like the *ASEAN Digital Integration Framework* and its action plan serve as comprehensive roadmaps addressing priorities such as trade facilitation, data flow, electronic payments, and entrepreneurship (ASEAN, 2020). The Bandar Seri Begawan Roadmap aims to accelerate digital transformation in response to the COVID-19 pandemic, with plans to negotiate the *ASEAN Digital Economy Framework Agreement* by 2025 (ASEAN, 2021). Specialised agreements, like the *ASEAN Agreement on Electronic Commerce,* encourage regional collaboration by reducing regulatory discrepancies and establishing shared protocols for digital transactions. These frameworks lay foundational standards that enable smoother digital integration and attract international investment by reducing compliance costs for businesses operating across diverse regulatory environments.

The region has pioneered a new form of specialised agreements for the digital economy, DEAs, with Singapore leading this approach.[7] The *Digital Economy Partnership Agreement*, currently signed by Chile, New Zealand, Singapore, and Korea, focusses on cross-border digital trade policies based on free data flow and non-discrimination principles. This and other DEAs, such as the *Singapore-Australia Digital Economy Agreement,* include provisions for electronic invoicing, paperless trading, and digital identities, ensuring secure engagement for businesses and consumers. These agreements provide models for other countries to emulate in fostering and facilitating digital trade.

Further, transnational collaborations like the *ASEAN Smart Cities Network* demonstrate the potential of regional partnerships of a softer nature to drive digital innovation and to address common issues in areas such as urban planning and infrastructure. Similarly, the CBPR system offers a framework to facilitate secure cross-border data flow while ensuring robust personal data protection. CBPR allows businesses to reduce complexities associated with complying with diverse national regulations, fostering trust and enhancing trade.

Plurilateral frameworks, such as the Indo-Pacific Economic Framework for Prosperity, represent another approach to regulatory coordination (Dimitropoulos, Chen, Chaisse, 2025). The Indo-Pacific Economic Framework for Prosperity brings together multiple Indo-Pacific countries and aims to address issues like supply chain resilience, a clean economy, and a fair economy, with implications for digital trade. While the initial focus on digital trade has seen some countries, such as India, opt out or reconsider their involvement, these frameworks demonstrate efforts to align regulations and to foster cooperation in the region (Chaisse and Hsieh, 2023).

Enhancing regulatory coordination is essential for building an integrated digital economy in the Indo-Pacific. Aligning standards and fostering collaboration can reduce compliance costs and promote a stable environment for businesses. Coordinating on issues such as data governance and privacy will allow the region to create a resilient, predictable environment that supports innovation and competitiveness in the global market. Moreover, adopting flexible yet coherent regulatory approaches will enable the Indo-Pacific to accommodate the diverse needs of its countries while promoting integration. This coordination is critical for sustaining regional competitiveness and ensuring that the digital economy continues to drive economic growth and development across the region.

[7] Government of Singapore, Ministry of Trade and Industry, Digital Economy Agreements, https://www.mti.gov.sg/Trade/Digital-Economy-Agreements

8. The Future of the Digital Economy and its Regulation in the Indo-Pacific

The digital economy plays a significant role in driving economic growth in the Indo-Pacific region. The above analysis highlights three design principles for the future of the digital economy and its regulation in the Indo-Pacific: a focus on intraregional coordination, infrastructure development, and interoperability.

Effective coordination and collaboration – both within the region and with external partners – are necessary to maximise the potential of the digital economy. Establishing consistent regulatory standards – particularly in data protection, cybersecurity, and intellectual property – can create an environment conducive to investment and innovation. Prioritising intraregional coordination amongst Indo-Pacific nations aligns with both economic interests and geopolitical considerations.

Intraregional collaboration amongst Indo-Pacific countries will leverage collective strengths to accelerate technological progress, enhance regulatory frameworks, and promote inclusive growth. Agreements on digital trade, cross-border data flow, competition, and digital payments are projected to contribute up to US$2 trillion to the regional digital economy by 2030, strengthening the region's competitiveness in the global market (Rohman, Gunawan, Johanes, 2024). The *Digital Economy Framework Agreement* provides ASEAN with an opportunity to develop region-specific regulations for digital trade governance, advancing its digital transformation agenda. Advanced economies can share expertise in building resilient digital infrastructure and fostering digital literacy, while emerging digital markets, such as India and Indonesia, can offer valuable insights into scaling digital services and driving widespread adoption. This exchange of knowledge will enable nations to avoid common pitfalls, implement effective strategies, and accelerate their digital transformation efforts. Collaborative research and development initiatives can further enhance this process by pooling resources and expertise, leading to advancements in cutting-edge technologies.

Geopolitical factors, however, are significantly impacting the expansion and integration of the digital economy in the Indo-Pacific. Trade disagreements, territorial disputes, and differing political ideologies present substantial obstacles to collaboration, often leading to fragmentation through divergent technological standards and ecosystems. This fragmentation hinders the seamless exchange of data, capital, and digital services (Bradford, 2023). Regional cooperation is thus essential to mitigate these disruptive effects. Organisations like APEC and ASEAN are important to facilitate dialogue, foster trust, and develop mechanisms to address conflicts. Enhancing collective efforts in areas such as cybersecurity, data protection, and digital trade facilitation can assist the region in addressing geopolitical complexities while advancing an integrated and competitive digital economy.

In the current geopolitical landscape, softer forms of cooperation and plurilateral agreements may be the most effective way forward. Frameworks like the CBPR system aim to coordinate data protection standards and to facilitate smoother data flow without

imposing uniform standards, thereby building trust amongst trading partners. Similarly, DEAs, like the *Digital Economy Partnership Agreement,* allow members to selectively engage in areas of closer collaboration. The Centre for Digital Innovation and Sustainable Economy, established by ERIA, also exemplifies soft intraregional collaboration, supporting digital transformation across ASEAN and East Asia. The centre aims to modernise traditional business models by offering technical support for digital trade, developing unified rules on digital governance and cybersecurity, and fostering innovation amongst startups, thereby supporting digital development in the region.

Beyond intraregional coordination, investing in digital infrastructure is essential for enhancing connectivity and expanding participation in the digital economy. While digital intraregional integration in the Indo-Pacific is relatively advanced compared to other regions, further investment in digital infrastructure is necessary. Public-private partnerships could help bridge investment gaps, boost connectivity, and enhance economic resilience and inclusivity. Initiatives, like Made in China 2025 and Digital India that integrate public-private partnerships to enhance domestic digital technology development, illustrate how such collaborations can accelerate infrastructure development.

Creating a supportive environment for digital infrastructure development also requires addressing regulatory, legal, and policy issues. Policies that incentivise investments in digital infrastructure are integral to a comprehensive strategy for digital transformation. Tax relief for broadband investments in the United States and regulations on spectrum allocation for 5G deployment in the European Union provide good examples. Many Indo-Pacific countries are developing infrastructure laws focussed on supporting the creation, regulation, and management of both existing and new infrastructure (e.g. Government of Australia, 2008; Government of the Philippines, 2016). Ensuring cybersecurity and mitigating associated risks, as demonstrated by coordinated global efforts like the *Cybersecurity Tech Accord*, is also crucial for facilitating the secure implementation of digital infrastructure.

Investing in digital infrastructure is crucial to bridging the digital divide both within and across nations. Approximately one-third of the world's population – including in the Indo-Pacific – lacks internet access, primarily in low-income and rural areas (ITU, 2023). Targeted investments towards bridging this divide are thus necessary, especially in underserved regions where connectivity is limited or unstable. Initiatives, like the World Economic Forum's Internet for All, emphasise the need for financial and technical assistance to develop resilient digital infrastructure in emerging economies. Moreover, the World Economic Forum highlighted that regulatory and supervisory fragmentation can raise costs for digital businesses by up to 30%, especially in data-driven sectors like fintech and e-commerce, where seamless cross-border data flow is essential (WEF, 2024).

Fostering the interoperability of digital systems in e-commerce, digital payments, and cybersecurity would enable Indo-Pacific countries to establish more predictable and

stable conditions for digital trade and investment in the region. An interoperable regulatory framework in the region would encourage businesses to expand into new markets by reducing risks associated with regulatory disparities.

There are multiple ways to achieve interoperability. One strategy would be adopting international best practice standards, such as the UNCITRAL Model Law on Electronic Commerce, which would enable cross-border recognition of electronic contracts and signatures (UNCITRAL, 1996). Building on the first design principle presented above, regional agreements may prove instrumental in promoting system interoperability. The CBPR system provides a mechanism for the mutual recognition of data protection standards across economies, facilitating smoother cross-border data transfers while maintaining compliance with local requirements. Japan's participation in the CBPR system highlights this. Its participation in the CBPR, as well as its alignment with similar international norms like the European Union-Japan Adequacy Agreement, have enabled more seamless data exchanges with both APEC and non-APEC economies. Achieving interoperability and interconnectivity within the Indo-Pacific digital economy may also require a comprehensive legal and policy approach that goes beyond current frameworks. Establishing regional agreements on intellectual property rights and mutual recognition agreements would protect digital assets and minimise legal obstacles to trade. Finally, forming joint oversight entities to monitor compliance and to resolve disputes would enhance legal clarity for businesses operating on a regional scale.

9. Conclusion

The Indo-Pacific stands at the forefront of the digital revolution, with a unique opportunity to redefine the role of law in enabling and governing digitalisation. This transformation calls for reimagining law as a dynamic, forward-looking instrument that addresses the convergence of economic innovation, geopolitical complexity, and technological disruption. In this context, the law must serve three interconnected functions: stabilisation, facilitation, and norm creation. As a stabiliser, the law builds trust by ensuring the integrity of cross-border data flow, strengthening cybersecurity, and providing effective mechanisms for dispute resolution. As a facilitator, it unlocks the region's economic potential by enabling seamless digital trade, attracting investment, and promoting equitable access to digital technologies. As a norm creator, it positions the Indo-Pacific as a leader in establishing global rules for digitalisation, reconciling the imperatives of sovereignty, interdependence, and inclusivity. This vision recognises the law as the foundation for resilience and equity.

Cybersecurity legislation must secure digital infrastructure to underpin trust in trade and investment. Digital trade regulations should remain agile enough to govern emerging technologies like AI and blockchain. Taxation policies need to address the complexities of mobile labour, digital platforms, and global supply chains, ensuring fairness and fiscal sustainability. Inclusivity is essential, requiring legal initiatives to address capacity

disparities across the region and to enable smaller, emerging economies to participate fully in the digital economy.

Australia, Japan, and Singapore will play key roles in this endeavour. Their leadership in shaping interoperable norms reflects the Indo-Pacific's potential to bridge regional and global divides, offering a model for other regions to follow. Their efforts should focus not only on governance but also on embedding ethical and sustainable principles into the framework of digital law.

In this setting, the law becomes more than a set of rules; it forms the architecture that defines and directs the digital economy. It aligns innovation with accountability, competition with collaboration, and national interests with regional integration. The Indo-Pacific's diversity and dynamism make it an ideal environment for crafting this legal architecture. The region's success will depend on its ability to design regulations that anticipate rapid technological change, coordinate fragmented governance, and embody values of fairness and inclusivity. By doing so, the Indo-Pacific will not only secure its leadership in the digital economy but also influence the future of global digital governance, ensuring that the transformative power of digitalisation benefits all.

This book expands on these themes by examining the Indo-Pacific's rise as a digital and economic hub, focussing on the regulatory, legal, and infrastructural elements necessary for regional digital integration. The individual chapters analyse how advancements in digital platforms, AI, blockchain, and e-commerce affect trade and investment laws, as well as broader regulatory alignment. The contributions aim at deepening the understanding of critical issues such as privacy, cross-border data transfer, cybersecurity, and intellectual property protection, offering structured approaches to overcoming barriers to economic integration. They collectively advocate for resilient digital infrastructure, interoperability, and regional cooperation to build a unified digital economy and to drive the Indo-Pacific's digital evolution.

This collective work, initiated in 2023 with the support of ERIA, culminated in two key events: an online workshop on 18 October 2024, and a (hybrid) conference in November 2024 at Leiden University in the Netherlands. The authors and contributors express sincere gratitude to ERIA for its support and to the participants who provided valuable feedback that enhanced these chapters.

The Indo-Pacific's digital transformation underscores a fundamental reality – the law must not only respond to technological change but also anticipate and guide its trajectory. This transition demands a rethinking of legal systems, which must evolve from static structures into dynamic frameworks capable of addressing complex issues while promoting resilience. In a region marked by diversity, rapid development, and interconnectedness, the law emerges as the central mechanism mediating innovation and governance as well as national sovereignty and international cooperation. The task involves crafting a shared legal foundation that adapts swiftly to economic, geopolitical, and technological developments while embedding principles of fairness and

sustainability. This book emphasises that the future of the digital economy – in the Indo-Pacific and beyond – will be shaped as much by its law as by its technologies.

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